

AN APPRAISAL OF
THE 8,772 SQ. FT. DAY CARE FACILITY



LOCATED AT

**1937 W. JEFFERSON STREET
PHOENIX, AZ 85007**

PREPARED FOR

**MS. NOLA BARNES
ARIZONA DEPARTMENT OF
TRANSPORTATION
100 N. 15TH AVENUE #202
PHOENIX, AZ 85007**

DATE OF VALUATION

AUGUST 19, 2009

PREPARED BY

**LINDA S. BEATTY
FORESIGHT VALUATION GROUP, INC.
3529 EAST NIGHTHAWK WAY
PHOENIX, ARIZONA 85048-7850
FILE NO. 20090058**

September 15, 2009

Ms. Nola Barnes
General Manager, Building and Planning Services
Arizona Department of Transportation
100 N 15th Ave., Suite 202
Phoenix, AZ 85007

RE: An Appraisal of the 8,772 Square Foot Day Care Facility Located at 1937
W. Jefferson Street, Phoenix, Arizona

Dear Ms. Barnes,

In accordance with your request, I have personally viewed and prepared an Appraisal Report on the above-identified property. The attached report is submitted which includes the investigations and analyses conducted. This Appraisal is communicated using a Summary Reporting format.

The purpose of this real property appraisal is to provide an opinion of the market value of the subject's fee simple interest, as of August 19, 2009, predicated upon the definition of value described in the body of this report. The intended user of this report is the Arizona Department of Transportation (client). The intended use of this appraisal report is for the exclusive use by the client for the purpose of asset management. This report is not to be relied upon by anyone other than the above referenced "Intended User" for any reason without the explicit written authorization of Foresight Valuation Group, Inc.

This valuation is based upon the attached report and all the assumptions and limiting conditions contained therein. Based upon the findings of my investigation,

**the "AS IS" market value of the fee simple interest of the subject property as of
August 19, 2009 is estimated at:**

\$1,100,000

ONE MILLION ONE HUNDRED THOUSAND DOLLARS

Per the client's request, the subject site is based upon a portion of a larger parcel identified as Maricopa Tax Parcel 109-49-072. This appraisal is based upon the Hypothetical Condition that lot numbers 7-10 could be legally split from the larger parcel and assigned a unique Assessor Parcel Number. **THIS REPRESENTS A HYPOTHETICAL CONDITION CONTRARY TO KNOWN FACTS ABOUT THE PHYSICAL CONDITION OF THE SUBJECT AS OF THE DATE OF THIS REPORT.**

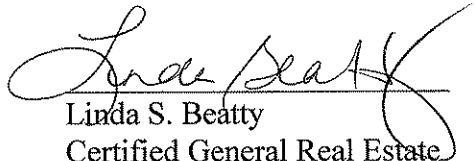
**THIS VALUE ESTIMATE IS MADE BASED UPON A HYPOTHETICAL
CONDITION CONTRARY TO KNOWN FACTS ABOUT THE PHYSICAL
CONDITION OF THE SUBJECT AS OF THE DATE OF THIS REPORT.**

This appraisal has been prepared in conformance with the Code of Professional Ethics of the Appraisal Institute, FIRREA, and the Uniform Standards of Professional Appraisal Practice (USPAP). The development process and the reported data and analysis are consistent with my interpretation of the modifications to USPAP adopted by the Appraisal Standards Board on January 1, 2008.

The marketing period for the subject property, assuming adequate exposure through proper marketing channels, is estimated to be approximately 6 months.

I appreciate the opportunity to assist you.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Linda S. Beatty", written over a horizontal line.

Linda S. Beatty
Certified General Real Estate
State of Arizona Appraiser #30336
Expires August 31, 2010

TABLE OF CONTENTS

Certification For Linda S. Beatty.....	1
Assumptions And Limiting Conditions.....	3
Summary of Important Facts and Conclusions	5
Purpose and Intended Use.....	6
Definition of Market Value.....	6
Exposure Time/ Marketing Time.....	7
Scope of Work and Reporting Format.....	7
Regional Area Data	11
Neighborhood Analysis	15
Site Description Summary.....	16
Improvement Description	21
Highest and Best Use	24
Valuation Process	26
Land Sales Comparables... ..	29
Sales Comparison Approach	39
Comparable Sales Location Map.....	41
Discussion of Adjustments.....	49
Conclusion	51
Sales Comparables Adjustment Grid	52
Income Approach.. ..	53
Reconciliation/ Value Conclusion	63

CERTIFICATION FOR LINDA S. BEATTY

I certify that, to the best of my knowledge and belief:

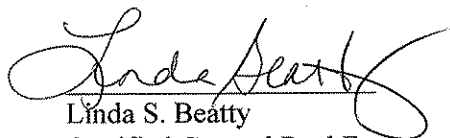
- The statements of fact contained in the report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one, other than the undersigned, provided significant real property appraisal assistance to the persons signing the certification.
- That the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The reported analysis, opinions, and conclusions were developed and this report was prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

- I have the knowledge and experience necessary to complete this appraisal assignment and have appraised this property type previously.

My opinion of the "AS IS" market value of the fee simple interest of the subject property as of August 19, 2009 is estimated at:

**\$1,100,000
ONE MILLION ONE HUNDRED THOUSAND DOLLARS**

THIS VALUE ESTIMATE IS MADE BASED UPON A HYPOTHETICAL CONDITION CONTRARY TO KNOWN FACTS ABOUT THE PHYSICAL CONDITION OF THE SUBJECT AS OF THE DATE OF THIS REPORT.



Linda S. Beatty
Certified General Real Estate
State of Arizona Appraiser #30336
Expires August 31, 2010

Date: 09/15/2009

ASSUMPTIONS AND LIMITING CONDITIONS

The appraisal report is subject to the following assumptions and limiting conditions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable. No warranty, however, is given for its accuracy.
5. Maps, drawings, or sketches have been made a part of the report to aid the reader in visualizing the property, neighborhood, and region. I have made no survey of the property and assume no responsibility in connection with such matters.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization and conditions stated in this report. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
12. The purpose of this report is to estimate market value for asset management. Possession of this report, or a copy thereof, does not carry with it the right of publication. The report may not be used for any purpose by any person other than the proper representatives of the client without the written consent of the appraiser.
13. The appraiser herein, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
15. **The existence of hazardous substances including asbestos, polychlorinated biphenyl's, petroleum leakage, agricultural chemicals or other hazardous materials that may or may not be present on the property, was not observed by or brought to the attention of the appraiser, *except as specifically noted in the appraisal report*. However, the appraiser is not qualified to test such substance or conditions. The presence of any potentially hazardous materials may affect the value of the subject property. The value estimate is based upon the assumption that no such condition exists on the property, in the property or in a proximity that would cause a loss in value. The appraiser assumes no responsibility for any such condition or engineering knowledge required to discover them.**
16. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Neither a specific compliance survey nor analysis has been completed on this property to determine if it is in compliance with the requirements of the ADA. If an analysis or compliance survey reveals that the property is *not* in compliance, this fact could have a negative effect upon the value of the property. Since no direct evidence was available relating to this issue, compliance with the ADA was not considered in estimating the value of the property.
17. **Proposed improvements are assumed to be completed in conformance with building plans supplied to the appraiser, in the time frame estimated to be reasonable in the report. Unless stipulated otherwise in the report, any construction is assumed to be in accordance with the improvement descriptions provided in the report.**
18. **Any value and analyses used to arrive at a prospective future value are based upon the current economic climate. The appraiser cannot be held responsible for unforeseeable events that may alter market conditions prior to the prospective date of the appraisal.**
19. This report or any portion thereof is for the exclusive use of the client for the stated purpose and function and is not intended to be used, given, sold, transferred, or relied on by any person other than the client without the prior, express written permission of the authors. Use of or reliance upon this report by third parties is specifically prohibited. I assume no responsibility for potential claims arising from unauthorized use of this report, or any portion thereof. The client will forever indemnify and hold Foresight Valuation Group, Inc. and its officers and employees harmless from any claims by third parties related in any way to the appraisal or study which is the subject thereof.
20. The appraisal report is meant to be used only in its entirety; no part may be used without the full or entire report.
21. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to the value conclusions, the identity of the appraisers or the firm with which they are connected.
22. Acceptance of, and/or use of, this appraisal report by the client constitutes acceptance of the above underlying assumptions and limiting conditions, as well as any specific assumptions detailed in the Letter of Transmittal and Appraiser's Certification sections of the appraisal report.

Summary Of Important Facts And Conclusions

File Number	20090058
Property Type	Single-Tenant Day Care Facility
Location	1937 W. Jefferson Street, Phoenix, Arizona, 85007
Assessors Parcel Number	Lots 7-10 of APN 109-49-072
Owner of Record	State of Arizona
Property Rights Appraised	Fee Simple
Site Area	Approximately 22,400 SF
Improvement Size	8,772 Square Feet
Zoning	R-3, Multiple-Family Residence District, City of Phoenix
Highest and Best Use	
"As if Vacant"	Hold for future development
"As Improved"	Existing Day Care Use
Value Conclusions	
Fee Simple Estate	
"AS IS" Site Value	\$180,000
"AS IS" Improved Value	\$1,100,000
Market Rent Estimate	\$13.00/SF Triple Net
Date of Valuation	August 19, 2009
Property Viewing Date	August 19, 2009
Date of Report	September 15, 2009

Purpose And Intended Use

The purpose of this appraisal is to arrive at an opinion of market value for the subject property, based upon its "as is" state, as of the effective date of this appraisal. The function, or intended use of this appraisal is for the exclusive use by the Arizona Department of Transportation (Client) for the sole purpose of asset management. The appraiser identifies no additional intended users. This appraisal report is not to be relied upon by anyone other than the above referenced "Intended User" for any reason without the explicit written authorization of Foresight Valuation Group Inc.

Definition Of Market Value

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696.

Real Property Interest Appraised

To the best of my knowledge, there are currently no long-term encumbrances on the subject that could divide the property rights. Thus, the property rights appraised represent the fee simple interest, which is defined as

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by governmental powers of taxation, eminent domain, police power, and escheat. (1)

The "As Is" value estimate includes all rights inherent to the fee simple estate and is based upon the assumption that the property is held free and clear of all liens.

Exposure Time/ Marketing Time

According to the Appraisal Standards Board of the Appraisal Foundation, **exposure time** is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a *retrospective* estimate based upon an analysis of past events assuming a competitive and open market. By comparison, **marketing time** is an estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately *after* the effective date of an appraisal.

Comparable properties utilized in the Sales Comparison Approach reported exposure times of 4 to 6 months, or were not actively listed prior to selling. Therefore, exposure time is estimated based upon the information provided by the comparables, conversations with market participants and review of active listings in the local market. Based upon this information and the current state and location of the subject improvements, 6 months is considered a reasonable and supportable exposure time for the subject.

Date Of Valuation And Date Of Appraisal

"AS IS" Date of Valuation	August 19, 2009
Property Viewing Date	August 19, 2009
Date of Report	September 15, 2009

Property History

According to Maricopa County Public Records, the current owners acquired the subject property on May 1978 via Deed. There have been no arm's length transfers involving the subject property in the past five years. As of the date of appraisal, the subject is not known to be listed for sale or under contract.

Scope Of Work And Reporting Format

In preparing this appraisal the appraiser;

- ◆ Viewed the subject property and comparable properties
- ◆ Researched vacant land and improved comparable sales, and rental comparables within the subject market area that have occurred within the past 12 months. Data sources include Arizona Multiple Listing Service, Maricopa County Assessors Records, LoopNet Inc., CoStar Realty Information, Inc., FEMA flood maps.
- ◆ Confirmed information with public records and/or other knowledgeable sources, analyzed the data and applied the Sales Comparison and Income Approaches.
- ◆ Estimated the "As Is" fee simple market value of the subject's real property.

During the research process the following agents, brokers and other active market participants were contacted for information and/or confirmation, including, but not limited to; Phillip Rosenberg, Valleywide Property Service; Robert Schure, The Laurel Group; Chip Diamond, Diamond Properties; Archie McGill, WCI Brokers; Glenda Hollenbeck, Knowledge Learning Corporation; Bob Orcy, Sunrise Preschool and Mike Sharon, Macerich Management Company.

The scope of this assignment included both an interior and exterior viewing of the subject. This visual walk-through was conducted to ascertain the general condition, construction, and functional utility of the subject. However, this is not a property inspection report and should not be relied upon as such to disclose specific conditions of the property. All mechanical aspects of the property are considered to be in working order unless specifically reported otherwise to the appraiser. It is outside the scope of this assignment for the appraiser to view unfinished attic spaces, crawl spaces, rooftops, or other areas not easily assessable. If a more intensive viewing of the subject is needed, it is recommended that a professional real property inspector be employed.

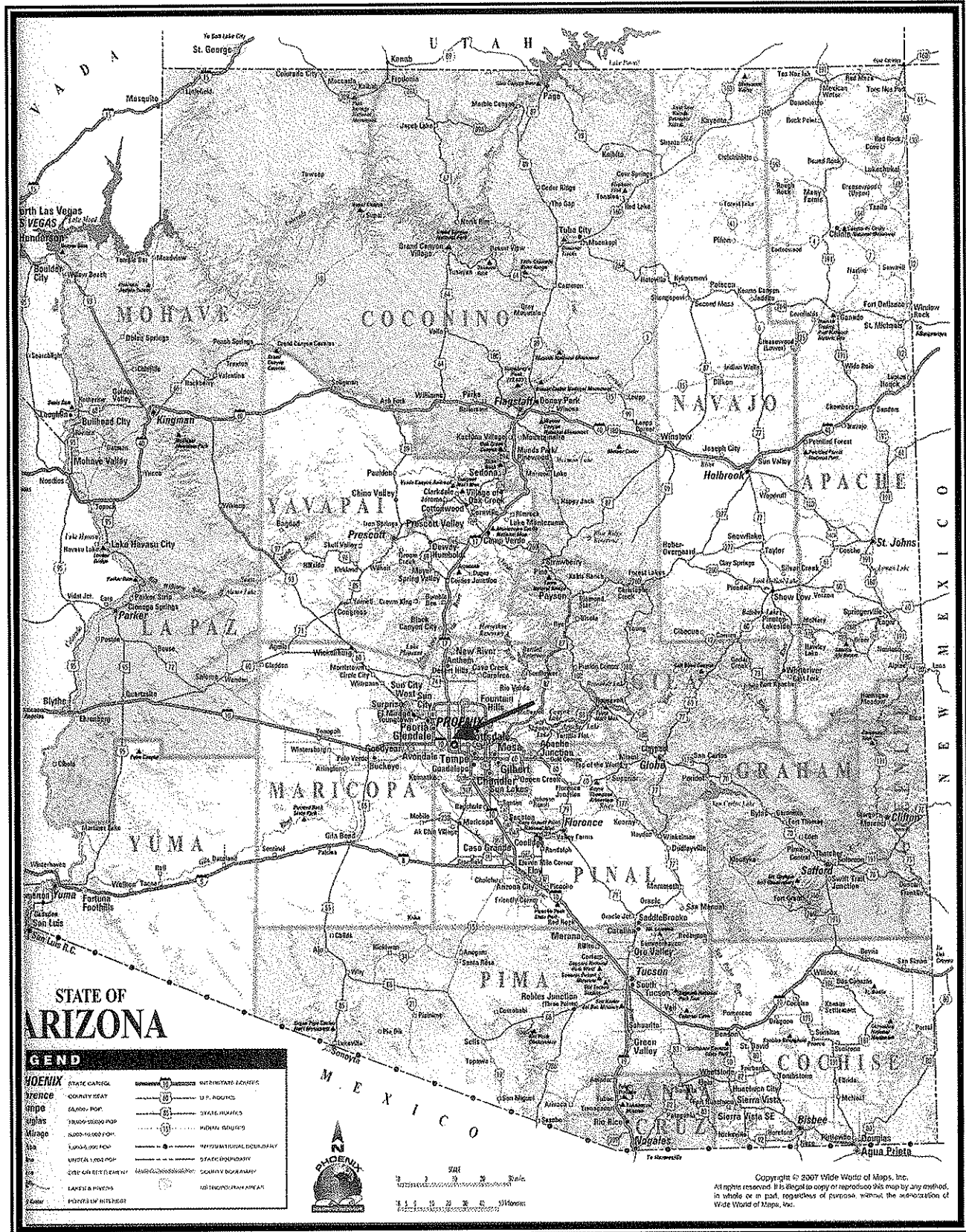
The building area of the subject property is estimated based upon exterior measurements taken as of the effective date of this appraisal. Square footage calculations are approximate and are taken for the sole purpose of comparison in the Sales Comparison and Income Approaches. They are not to be relied upon in marketing the subject property, or for any other reason. Unless otherwise stated, the building area of the comparables is based upon information provided in the public records, by MLS, or other resources. It is outside the scope of this assignment for the appraiser to physically measure comparable properties.

Per the client's request, the subject site is based upon a portion of a larger parcel identified as Maricopa Tax Parcel 109-49-072. This appraisal is based upon the Hypothetical Condition that lot numbers 7-10 could be legally split from the larger parcel and assigned a unique Assessor Parcel Number. **THIS REPRESENTS A HYPOTHETICAL CONDITION CONTRARY TO KNOWN FACTS ABOUT THE PHYSICAL CONDITION OF THE SUBJECT AS OF THE DATE OF THIS REPORT.** The site area of lot numbers 7, 8, 9 and 10 was taken from the information reported in the Maricopa County public records. Neither a title report, nor a site survey was provided to the appraiser.

All three approaches to value were considered. The Cost Approach is most reliable for recently constructed improvements that exhibit little or no Physical, Functional, or External Obsolescence. Moreover, market participants do not typically rely upon this method of analysis when purchasing properties such as the subject. As a potential income-producing investment property, the Income Approach is considered an applicable and valuable method of analysis. The Sales Comparison Approach is also considered a reliable method of analysis for developing an opinion of the subject's market value. Since the Cost Approach is not considered necessary to produce a credible report, equal emphasis is placed upon the Sales Comparison and Income Approaches.

To develop the opinion of value, I have performed a Real Property Appraisal in a Summary Reporting format, as defined by the Uniform Standards of Professional Appraisal Practice. As such, this Summary Appraisal Report is a brief summary of the appraisers analyses and conclusions. Supporting documentation is retained in the appraisers' file.

STATE MAP

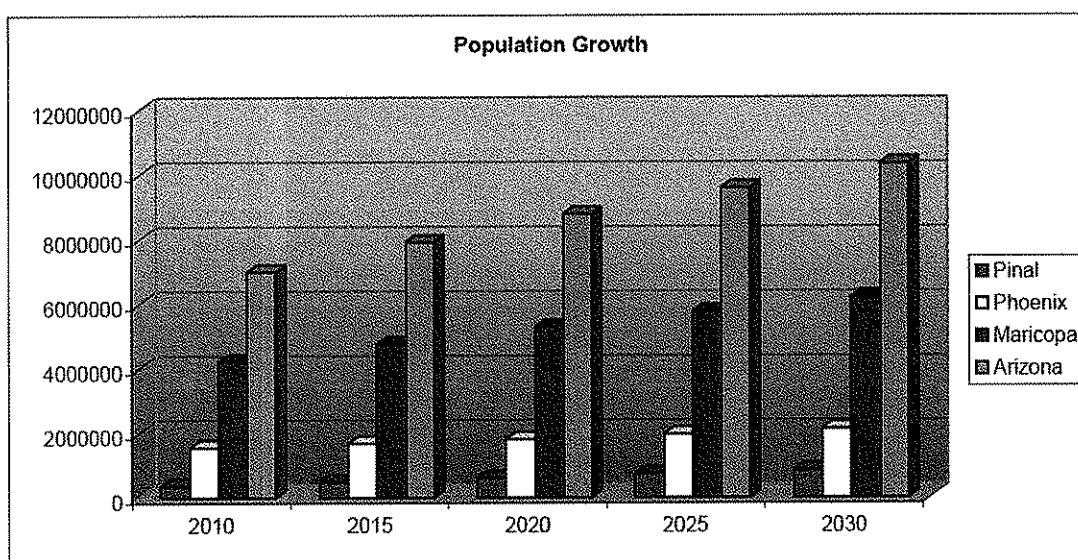


Regional Area Data

The area in which a property is located has a direct bearing on the marketability, appeal, and future potential of a property. The subject is located in the Capital corridor of Metropolitan Phoenix, in the central portion of Maricopa County. Therefore, it is important to analyze the social, economic and physical factors, which affect Maricopa County.

The subject property, located east of Interstate 17 and south of Interstate 10, is within Metropolitan Phoenix, in the south-central portion of the State of Arizona. With a 2007 population estimate of 1,538,568¹, Phoenix is the largest city in Arizona. There are 25 incorporated communities in Maricopa County, with the City of Phoenix at the epicenter and serving as the county seat. The Metropolitan Phoenix City limits contain 517 square miles.

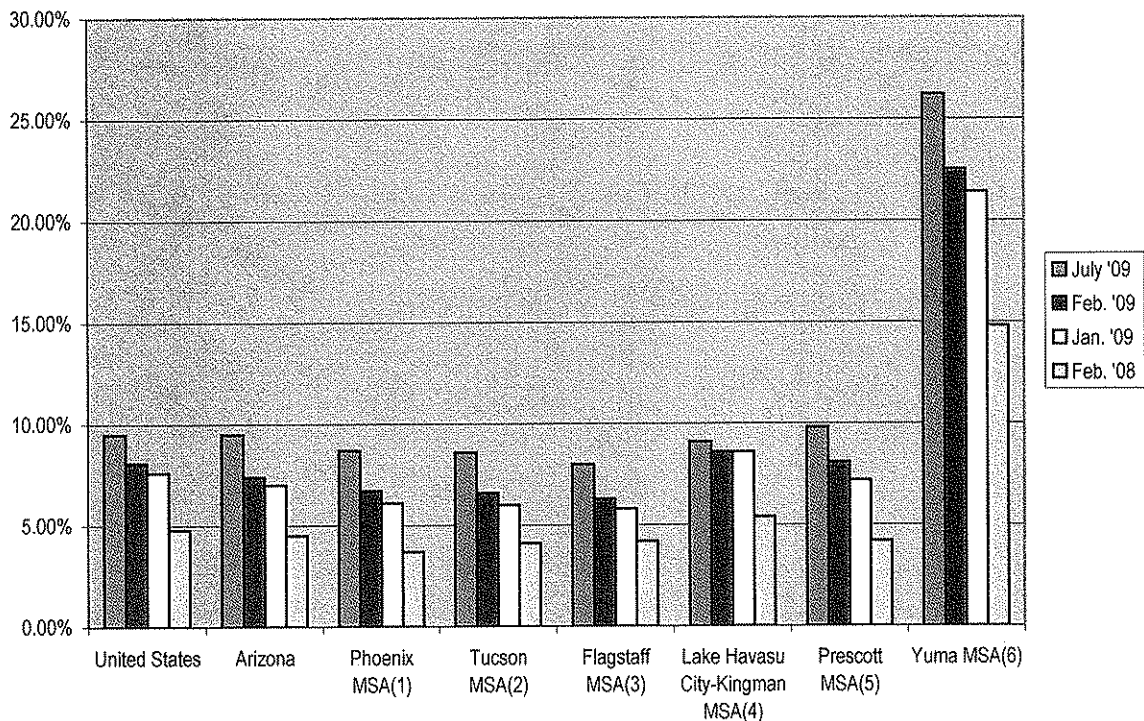
Population in Maricopa County has increased over 27% between the 2000 and 2007. Historically, this expansive growth has been illustrated by increases in 1) employment, 2) population, and 3) personal income. The growth rate for Maricopa County is anticipated to remain steady, though slower, throughout the next 15 years. Growth in population and household trends is important because it points to demand for real estate. Population growth has long been the lifeblood of economic growth in the metro area.



¹ Arizona Department of Commerce and US Census Bureau

According to the Arizona Department of Economic Security, the total civilian labor force for Maricopa County was 1,854,100 as of 2007. The Trade, Transportation and Utilities segment of the economy is a leading employer with 380,000 people employed in the county. Service and Government are strong components in the work force, employing 320,700 and 218,300, respectively. Maricopa County unemployment rates rose to 8.5% in July 2009, representing a 20-year high. However, Maricopa County is still consistently below the August 2009 national average of 9.7%.

Phoenix MSA (Maricopa and Pinal Counties) unemployment rate rose to 8.7% in July 2009, representing a 20-year high. However, Phoenix MSA is still consistently below the national average of 9.7%.



More than 5 million jobs have been lost since the recession started in December 2007. The index of leading US economic indicators dipped in February for the third time in five months, reflecting the worsening conditions. Consumer confidence plunged, signaling a deepening recession. Consumers and companies are cutting back as financial markets remain fragile, job losses mount and housing and manufacturing sink deeper into a slump.

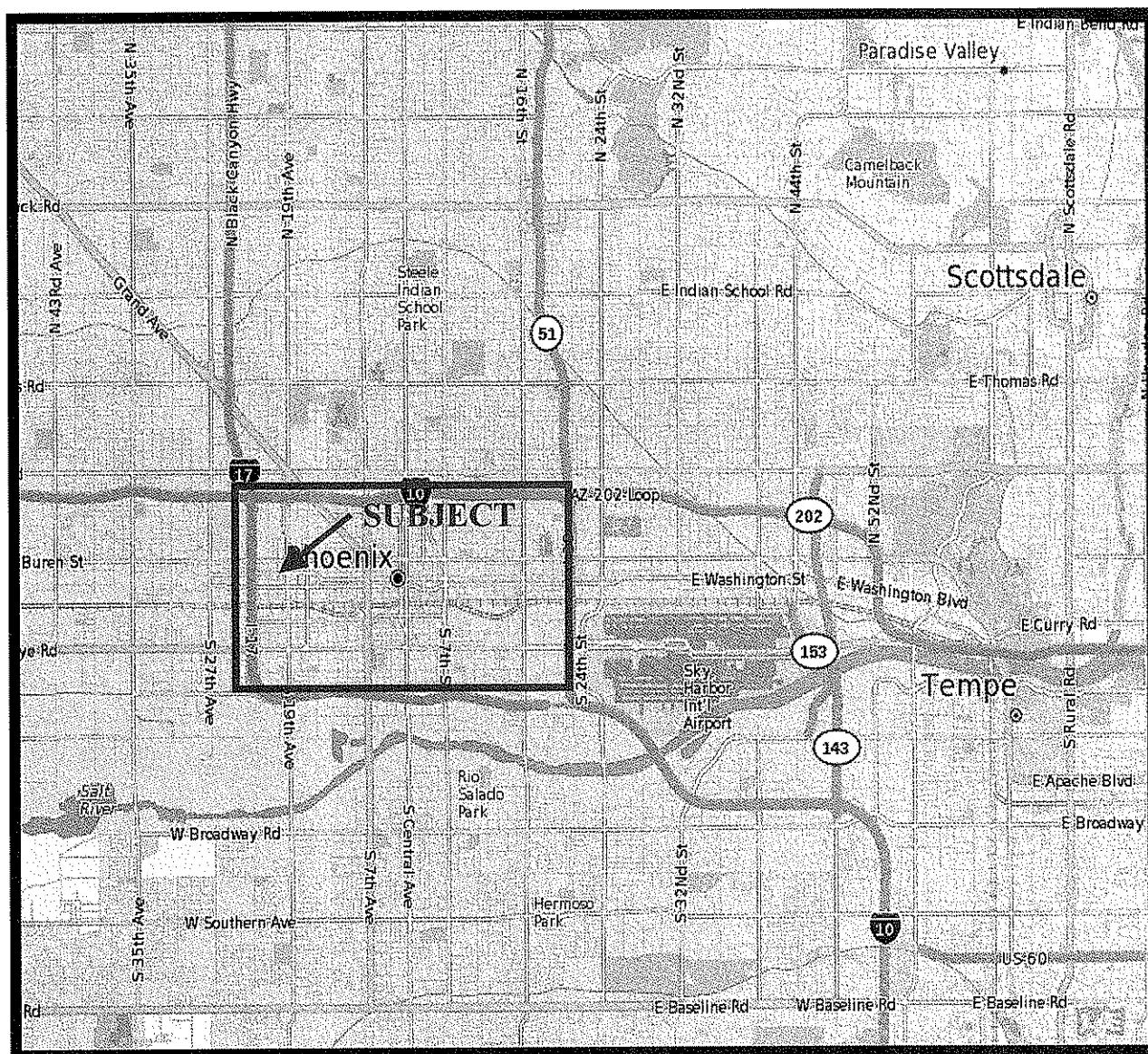
After contracting sharply the last quarter of 2008 and the first quarter of 2009, the Federal Reserve Bank forecasts that GDP will continue to contract, but at a much slower pace in the next quarter. The Fed also reports that the economy shows many signs of continued contraction; however, forward-looking economic indicators such as stock prices, corporate bond spreads, and the Institute for Supply Management survey of manufacturers have been giving more positive readings over the past several weeks.

Economic Perspective Conclusion

Uncertainty in the stock market and the tightening credit market has had a significant impact on the real estate market in Arizona and nationwide. The current local real estate market is affected by these factors contributing to elevated inventories, depressed sales volume and declining prices. Speculative and investment transactions have vanished with owner-users and foreclosures representing the bulk of purchases and new construction.

Over the last 24 months, Maricopa County and the State of Arizona economy experienced a cyclical downturn in conjunction with the national economy as a whole. Local overbuilding in various real estate segments has resulted in a corresponding drop in property values.

LOCATION MAP



Neighborhood Analysis

A neighborhood is defined as a group of complementary land uses. To provide an understanding of the forces affecting a neighborhood, the boundaries must be set forth. The delineation of the neighborhood boundaries results principally from land use and natural barriers. The subject neighborhood boundaries are considered to be; Interstate 17 to the south and west; Interstate 10 to the north; and 24th Street to the east. The defined geographic area encompasses approximately eight square miles.

The subject is located near the State Capital Complex within the Phoenix downtown central business district (CBD). Surrounding property uses are primarily commercial office. Some residential properties are located along the interior streets of the perimeter of the neighborhood. These properties consist of a mix of single-family and multi-family dwellings that vary considerably in age, condition, and construction. Some properties in the area exhibit signs of deferred maintenance. Other properties are well maintained. Many older homes with extensive deferred maintenance have been razed and replaced with newly constructed single-family residences.

Public transportation is available along most arterial neighborhood streets. The metro light rail system runs east and west along Washington and Jefferson Streets, and north along Central Avenue. Residential prices within this neighborhood have been relatively stable over the past 12 months. The overall market appeal of the neighborhood is considered average.

Overall, the subject neighborhood appears to be in a mature/stable stage of its life cycle, with adequate employment centers and recreational facilities nearby. The overall appearance of the area is typical of a neighborhood in the mature/stable stage of its lifecycle. All public utilities are available to the neighborhood and considered to be adequate for development. In-fill development is not expected in the near term, as the majority of the subject neighborhood is built-out and demand for new development is stagnant. When the existing supply of vacant land within the neighborhood is eventually absorbed, future new development will require the demolition or renovation of existing structures. However, new development is currently nonexistent due to oversupply, depressed sale prices and extended marketing times.

Site Description

Physical Address	1937 W. Jefferson Street, Phoenix, AZ 85007
Location	Located west of the Southwest corner of 19 th Avenue and Jefferson Street, Phoenix, Arizona.
Site Size	At the client's request, only lots 7-10 of APN 109-49-072 are included in this appraisal assignment. The combined size of these lots is approximately 22,400 square feet.
Legal Description	Lots 7-10 of Capitol Block 37 & Abandoned Alley lying within. (MCR 002/72)
Assessor's Parcel Number	Lots 7-10 of APN 109-49-072
Census Tract #	1144.02
Frontage & Dimensions	The combined size of lots 7-10 is rectangular in shape and approximately 160' x 140' with frontage on Jefferson Street.
Ingress & Egress	Vehicular access to the subject is provided by Jefferson Street between 19 th and 20 th Avenues.
Topography & Drainage	Level and at grade with surrounding lands.
Soil Conditions	No soil report for the subject property was provided for review. However, it is assumed that the soil provides sufficient load bearing capacity to support improvements. No evidence to the contrary was observed based upon a physical viewing of the subject.
Available Utilities	Electric – Arizona Public Service Water/Sewer – City of Phoenix
Flood Plain	According to Community-Panel No. 04013C-2130G, dated 9/30/2005, the subject property is located in Zone AE, which is inside of the 100-year flood area. Flood insurance is typically required for improvements built in Zone AE.
Zoning & Restrictions of Record	R-3, Multiple-Family Residence District, City of Phoenix.

City of Phoenix Zoning Code:

Section 615. R-3 Multiple-Family Residence District.

A. Purpose. The purpose of the multifamily residence districts is to provide for alternate living styles including rental, condominiums and single ownership of land with multiple units thereon or single or attached townhomes.

The density ranges offered are intended to allow for a greater interaction of residents with at least the opportunity for less individual maintenance, unit cost, and size as compared with a conventional single-family residence.

Schools are also an allowable use under the R-3 zoning district.

Traffic Count

Traffic Counts along Jefferson Street at 19th Avenue are reported at 9,000 vehicles per day and along 19th Avenue, south of Jefferson at approximately 13,000 vehicles per day, as of 2007.

Assessed Value & Real Estate Taxes

2008 FCV = \$204,957 (portion of)
2008 Real Estate taxes = N/A Tax Exempt

Hazards/Nuisances:

A visual inspection of the subject did not reveal any obvious hazardous conditions or nuisances.

Hazardous Materials:

To the best of my knowledge, no Environmental Site Assessment of the subject property exists. The presence of any potentially hazardous materials may affect the value of the subject property. The value estimate is based upon the assumption that no such condition exists on the property, in the property or in a proximity that would cause a loss in value. The appraiser assumes no responsibility for any such conditions or engineering knowledge required to discover them.

Owner of Record

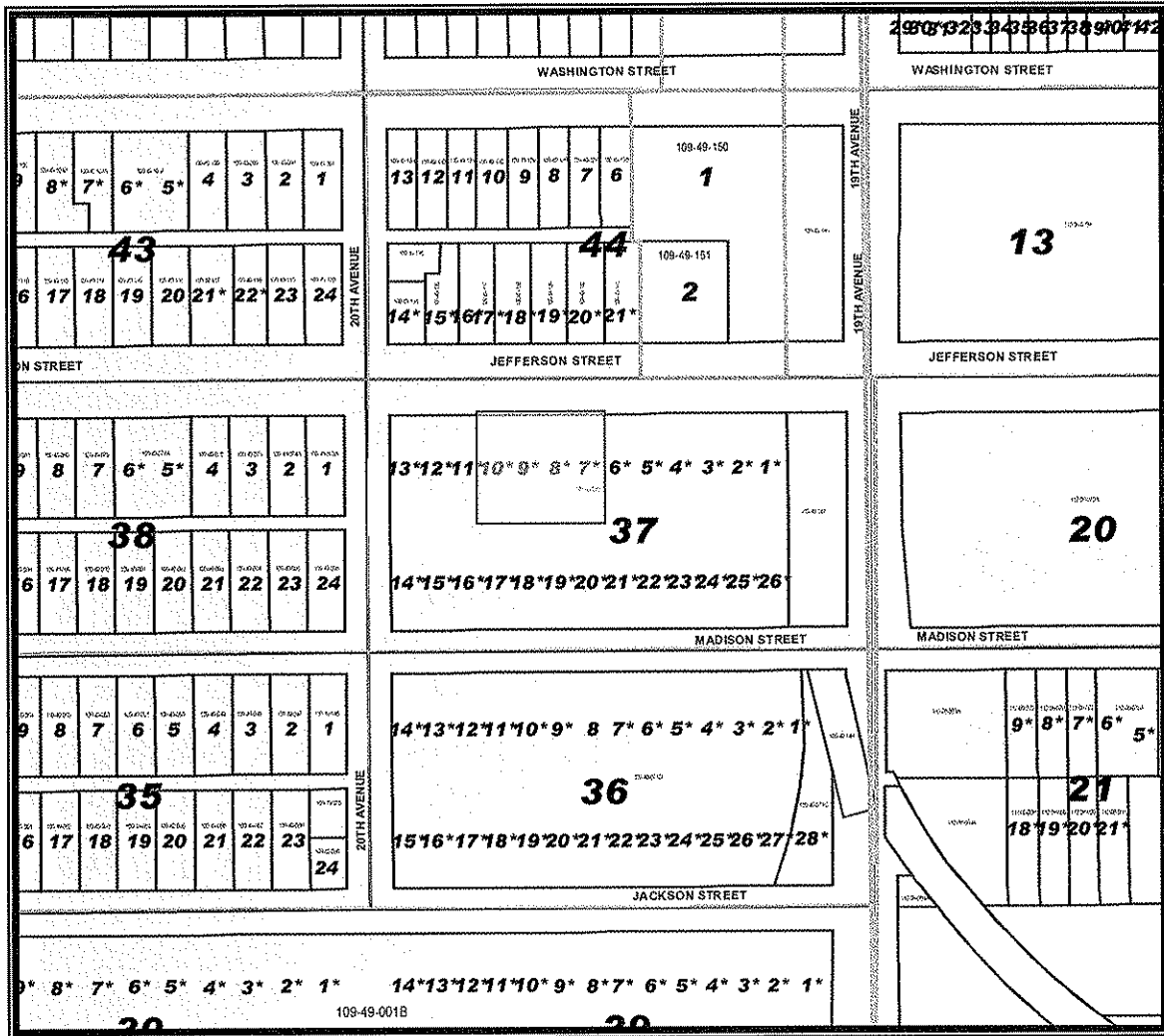
State of Arizona
1700 W. Washington
Phoenix, AZ 85007

Property History

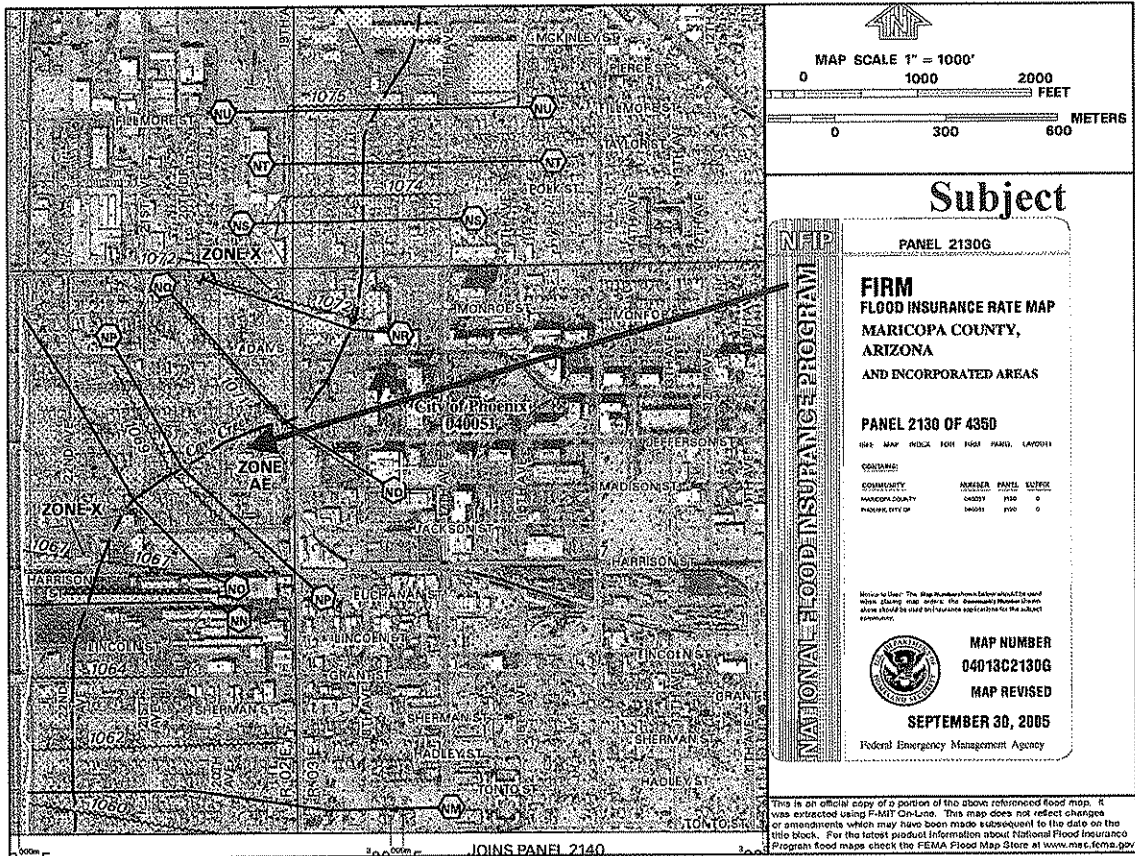
According to Maricopa County Public Records, the State of Arizona acquired the subject in May 1978. There have been no transfers involving the subject property in the past five years.

To the best of my knowledge, as of the date of appraisal, the subject is not known to be listed for sale or under contract.

ASSESSOR'S MAP



FLOOD MAP



Improvement Description

According to the public records, the subject improvements were built in 1968. The improvements are constructed of block walls with rolled asphalt roof. Square footage of the improvements is estimated based upon exterior measurements taken on the effective date of appraisal.

<u>Type</u>	Single-Tenant Day Care Facility
<u>Square Footage</u>	+/- 8,772 Total Building Square Footage
<u>Foundation</u>	Concrete Slab
<u>Exterior Walls</u>	CMU Block
<u>No. of Buildings</u>	One, Single-Story
<u>Exterior Doors</u>	Mixed, solid core wood and metal.
<u>Roofing</u>	Rolled Asphalt
<u>Ceiling/Interior Walls</u>	Vaulted exposed beam/Frame drywall
<u>Interior Doors</u>	Hollow Core, smooth paint grade
<u>Windows</u>	Single-pane Steel Casement
<u>Floors</u>	Concrete
<u>Floor Cover</u>	Vinyl Tile and Carpet
<u>Heating/Cooling</u>	Roof mounted Heat Pump Units
<u>Compatibility with Surrounding Uses</u>	The subject property is compatible with the surrounding uses as well as those in the general neighborhood. Surrounding property uses are primarily commercial office.
<u>Functional Utility</u>	The floor plan and utility of the building are considered average.
<u>Land-to-Building Ratio</u>	2.55 to 1.00

Site Improvements

Playground equipment, landscaping, and asphalt paving. Phoenix zoning code for day care facilities requires 1 parking space per 300 square feet of building area. Based on the improvement size of the subject, a total of 30 parking spaces are required by code. The subject site does not currently have any parking. However, the adjacent lots have more than adequate parking for the subject use.

For purposes of this analysis, it is assumed that a shared parking agreement would be implemented due to the common ownership of the subject and adjacent properties.

Condition

The improvements are considered to be in average condition for their age. No significant signs of deferred maintenance were noted.

Actual Age

41 Years

Economic Life

Approximately 55 years according to Marshall Valuation Service.

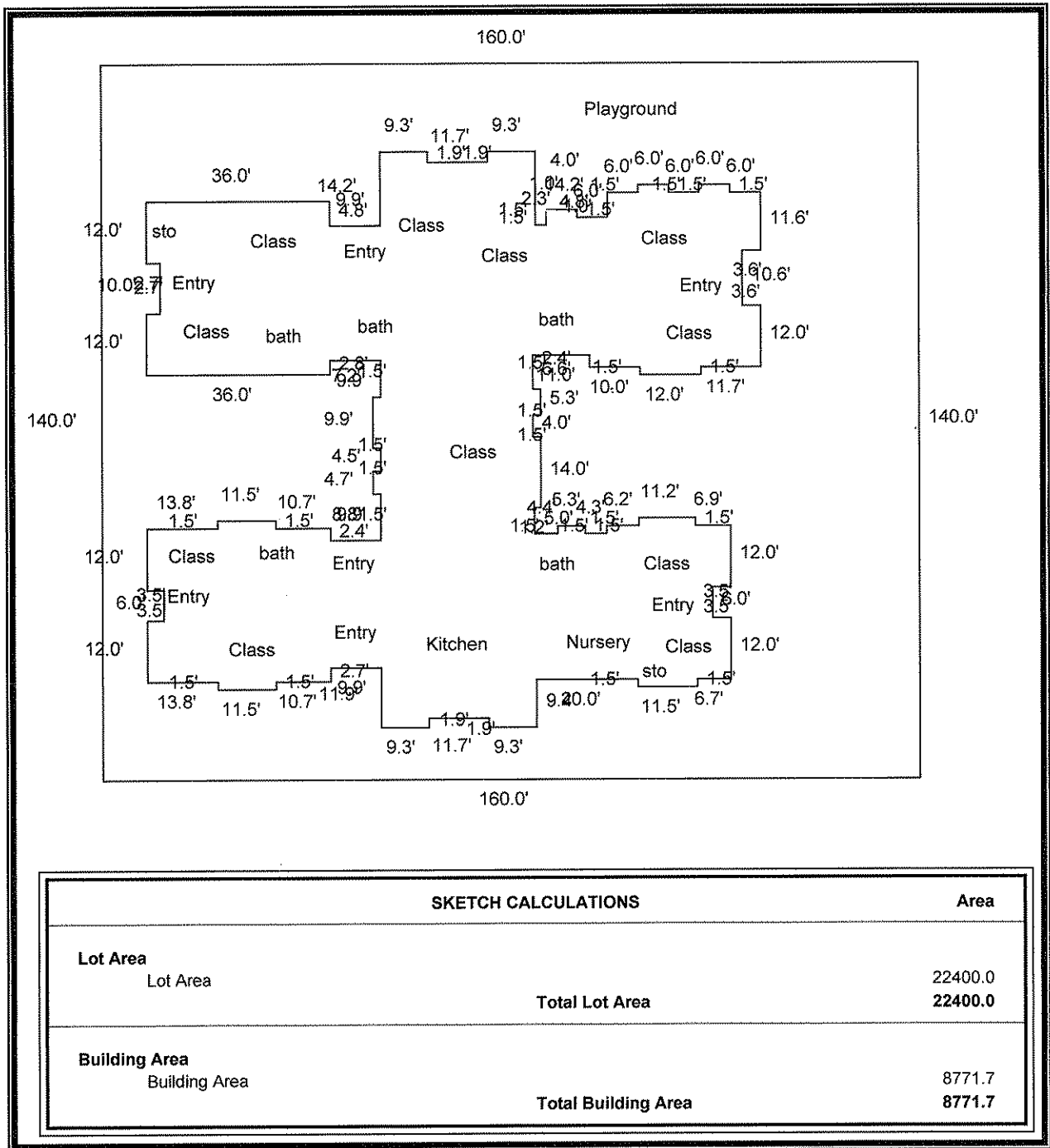
Effective Age

25 Years

Remaining Economic Life

The remaining economic life is approximately 30 years.

IMPROVEMENT SKETCH



Highest And Best Use

The concept of Highest and Best Use is set forth by the following definition:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.²

“As if Vacant”

The subject property consists of an interior site with approximately 160 feet of frontage on Jefferson Street. The subject is at grade with surrounding parcels. According to the Maricopa County Assessor, the combined size of lots 7-10 is estimated at approximately 22,400 square feet. Water and sewer are provided to the property by the City of Phoenix. Electrical service is provided by Arizona Public Service (APS) via overhead lines.

Streets are publicly maintained by the City of Phoenix. The subject property is zoned R-3, Multiple-Family Residence District, by the City of Phoenix. The purpose of the multifamily residence district is to provide for alternate living styles including rental, condominiums and single ownership of land with multiple units thereon or single or attached townhomes. This classification allows for development with a maximum density of 14.5 units per acre and a lot coverage ratio of 45%. This zoning classification also allows for the development of schools. The subject enjoys good linkage with the surrounding Phoenix Metropolitan area, via Interstate 17 and Interstate 10, which border the subject neighborhood. Surrounding uses are commercial office. As reported in the Regional Area and Neighborhood Analysis sections of the appraisal, property values are significantly depressed due to over supply of existing inventory.

Thus, considering the size of the subject site, its utility services, access, visibility, zoning, and location, its Highest and Best Use (as vacant) is to hold for future development. The subject's use, to hold as a speculative investment, is a reasonably probable and legal use of the site. Based upon current market conditions, this use represents a physically possible, appropriately supported, financially feasible use of the subject property as if vacant.

2 The American Institute of Real Estate Appraisers, The Dictionary of Real Estate Appraisal, 2nd Ed.(Chicago, 1989), p. 149.

“As Improved”

The Highest and Best Use presupposes that existing improvements should not be demolished unless the potential net return from new improvements exceeds the return obtainable from the existing improvements. As discussed, the subject improvements contain approximately 8,772 square feet of rentable area. Construction consists of CMU block exterior walls with rolled asphalt roof cover. The site has adequate ingress/egress. The subject improvements represent a physically possible, legally permissible use of the subject site that results in a positive overall return to the site. Based upon current market conditions, there are no alternative uses that would provide a great enough return to warrant the demolition of the existing improvements. Thus, the Highest and Best Use “as improved” is the existing use as a Day Care Facility.

Valuation Process

In estimating the value of real property, there are three recognized approaches or techniques available to the appraiser. These three approaches, the Cost, Sales Comparison, and Income Approaches, can be used to process data considered significant into separate value indications. The Cost Approach is based upon the proposition that an informed purchaser would pay no more than the cost of reproducing the subject improvements on a similar site. This approach is most applicable in newly constructed improvements when verifiable costs estimates are available and accrued depreciation is minimal. According to public records, the subject improvements were built in 1968. For this reason, this approach is not considered a necessary method of analysis for estimating the market value of the subject. Market participants do not typically rely upon this method of analysis when making their decision to purchase an older existing complex.

The Income Approach is based upon the principle of anticipation. Value is created by the expectation of future benefits in the form of cash flows. This value may be defined as the present worth of all rights to those future benefits. As a potential income producing property, the Income Approach was applied as a reliable estimation of market value.

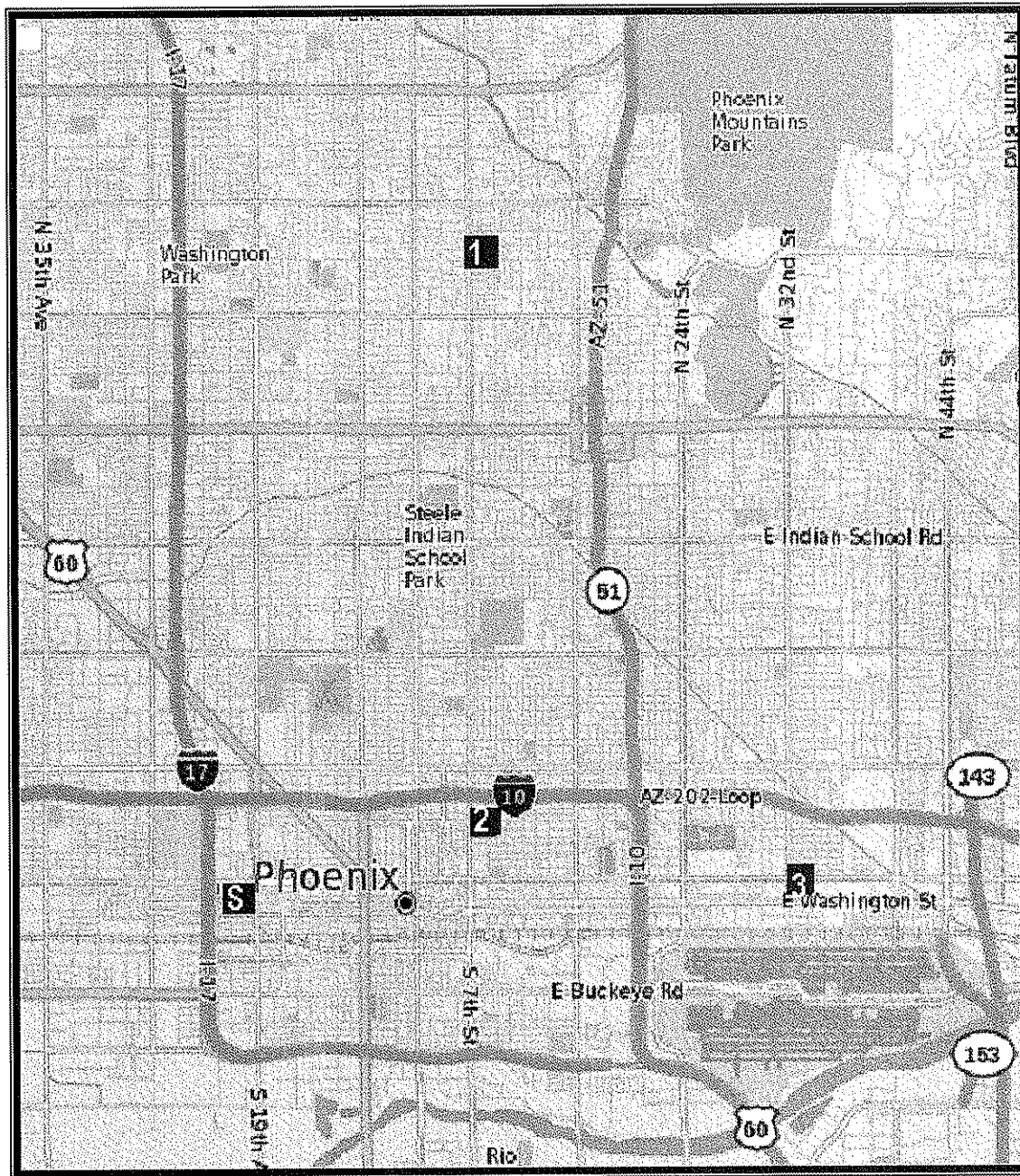
The Sales Comparison Approach is based upon the principle of substitution. In theory, a prudent buyer will pay no more to acquire a property than the cost to purchase another similar property with equal utility. This approach is used to estimate the market value of a property by comparing it to similar properties that have recently sold. The sales are compared on the basis of property rights conveyed, financing terms, conditions of sale, market conditions and physical characteristics. Since two properties are seldom identical, adjustments are made to the comparable sale prices to compensate for significant differences perceived by the market. Typically, commercial properties such as the subject are bought and sold based upon this approach. Thus, this approach is considered an appropriate method of analysis for the subject property.

All three approaches to value were considered in the appraisal assignment. Due to the age of the improvements, and the subjectivity of estimating various forms of accrued depreciation, the Cost Approach was not considered a necessary method of analysis. Market participants for this property type most commonly rely upon the Sales Comparison and Income Approaches. Thus, both the Income and Sales Comparison Approaches were utilized in this analysis.

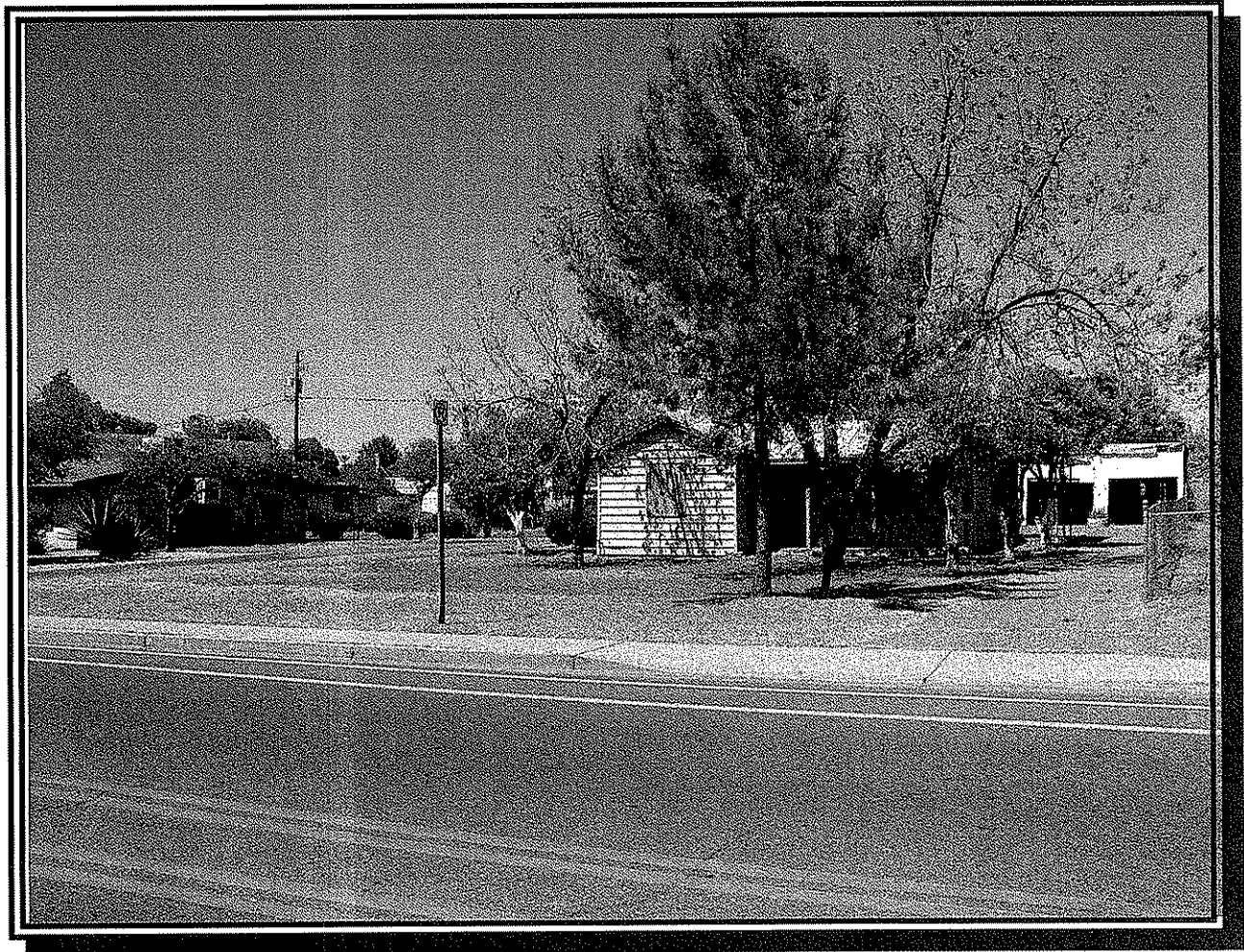
Site Valuation

Although the Cost Approach was not considered a necessary method of analysis for the subject improvements, for purposes of analysis in the Highest and Best Use, the subject site's value was estimated by direct sales comparison. This method is processed through the collection of recent sales and current offerings of similar sites. A thorough search was made to obtain the most current comparable sales of similar sites. Due to the built-up nature of the subject neighborhood, few sales of vacant land have taken place in the past 6 to 12 months. The sales chosen represent the most comparable market data discovered. These sales were confirmed through the public records and with at least one party involved in the transaction, whenever possible. Because no two sites are ever identical, adjustments to the comparables are considered for property rights conveyed, financing terms, conditions of sale, market conditions, time, location, and physical characteristics. The range is then reconciled into a market value estimate for the subject site. The unit of comparison employed for this analysis is the price per square foot of site area.

COMPARABLE LAND LOCATION MAP



LAND COMPARABLE NO. 1



Location: 724 E. Maryland Ave.
Phoenix, AZ

Assessor Parcel: 161-05-032, 37

Sale Data

Sale Price: \$525,000
Price/SF \$16.22

Date Recorded: January 30, 2009

Docket Number: 09-0077846

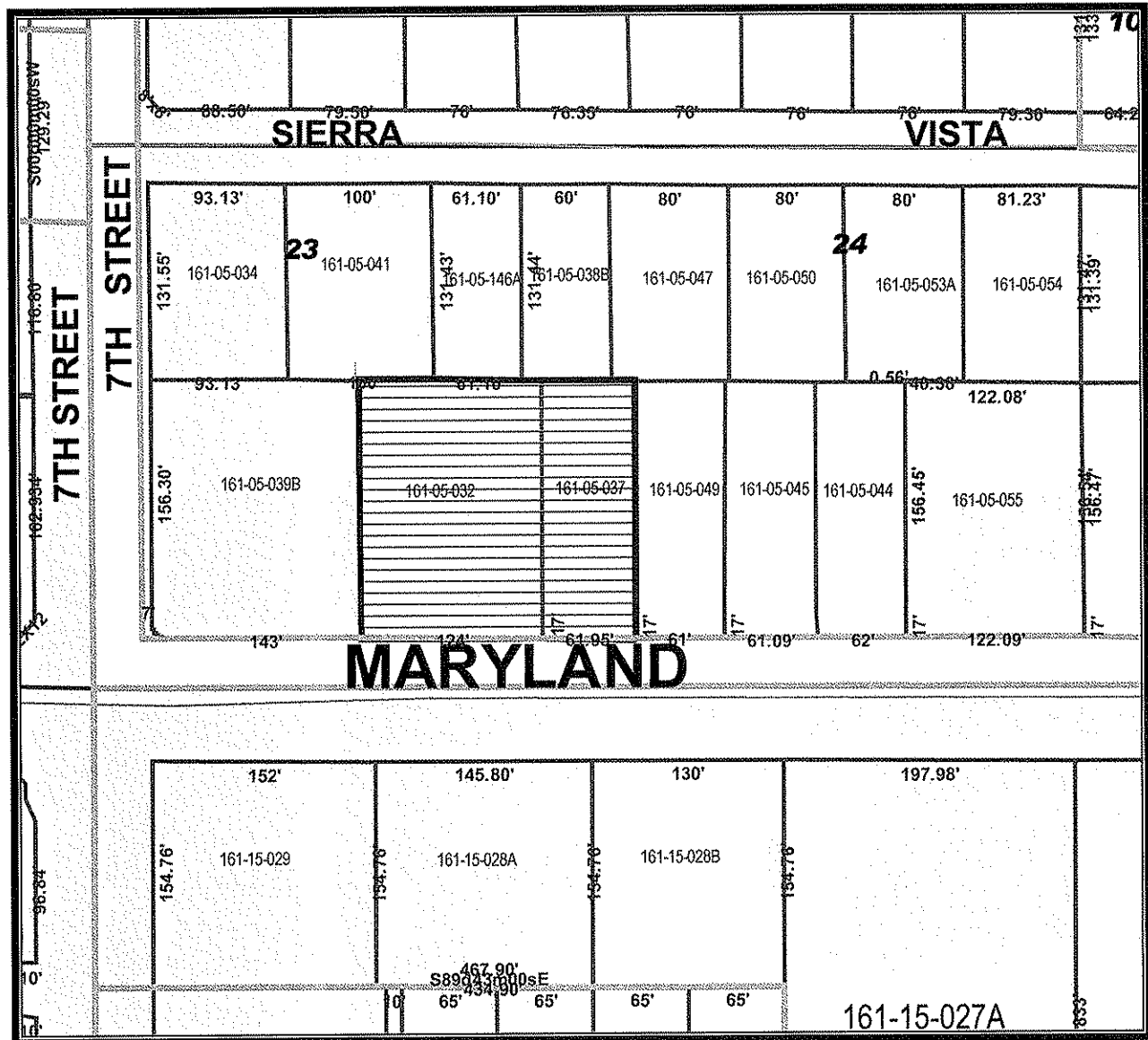
2008 Real Estate Taxes: \$1,893.34
Per square foot: \$0.06

Seller/Grantor: Gerald B. Nelson

Buyer/Grantee: Willie & Janie Yee

Site Area: 32,359 S.F.

Description: The combined site area of the two parcels is square 32,359 feet and is zoned C-2/R-4 by the City of Phoenix. The property has paved access from a half-mile collector street.



3 Year Sale History: No recorded transactions involving this property were discovered within the prior three years.

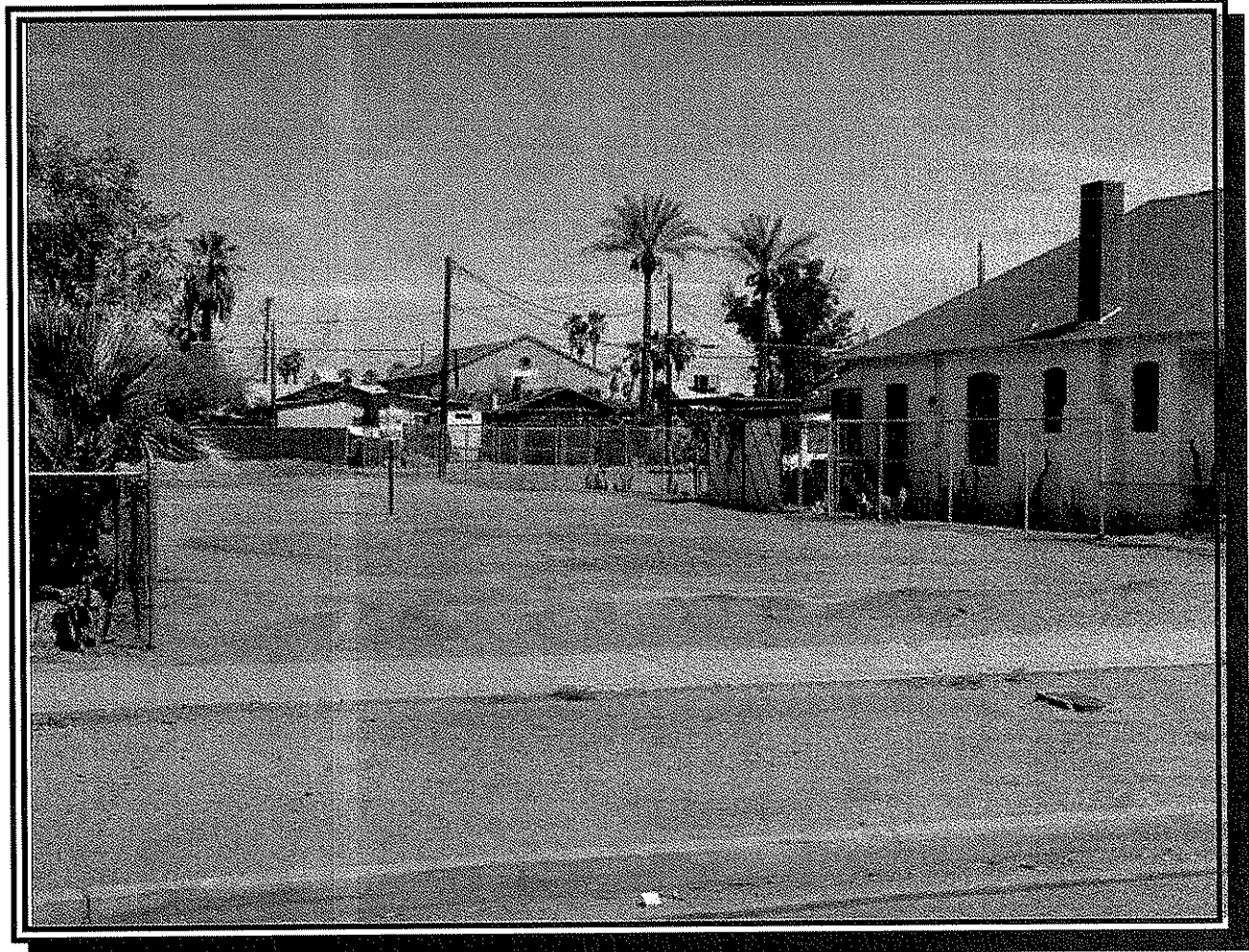
Zoning: C-2, Commercial
R-4, Multi-Family Residential

DOM: 798

Shape: Rectangular

Confirmation: Public Records, Kathleen Lloyd listing/selling agent, and Affidavit of Value Document #09-0077846.

LAND COMPARABLE NO. 2



Location: 921 N. 8th St.
Phoenix, AZ

Assessor Parcel: 116-32-065

Sale Data

Sale Price: \$50,000
Price/SF \$5.57

Date Recorded: April 28, 2009

Docket Number: 09-0375319

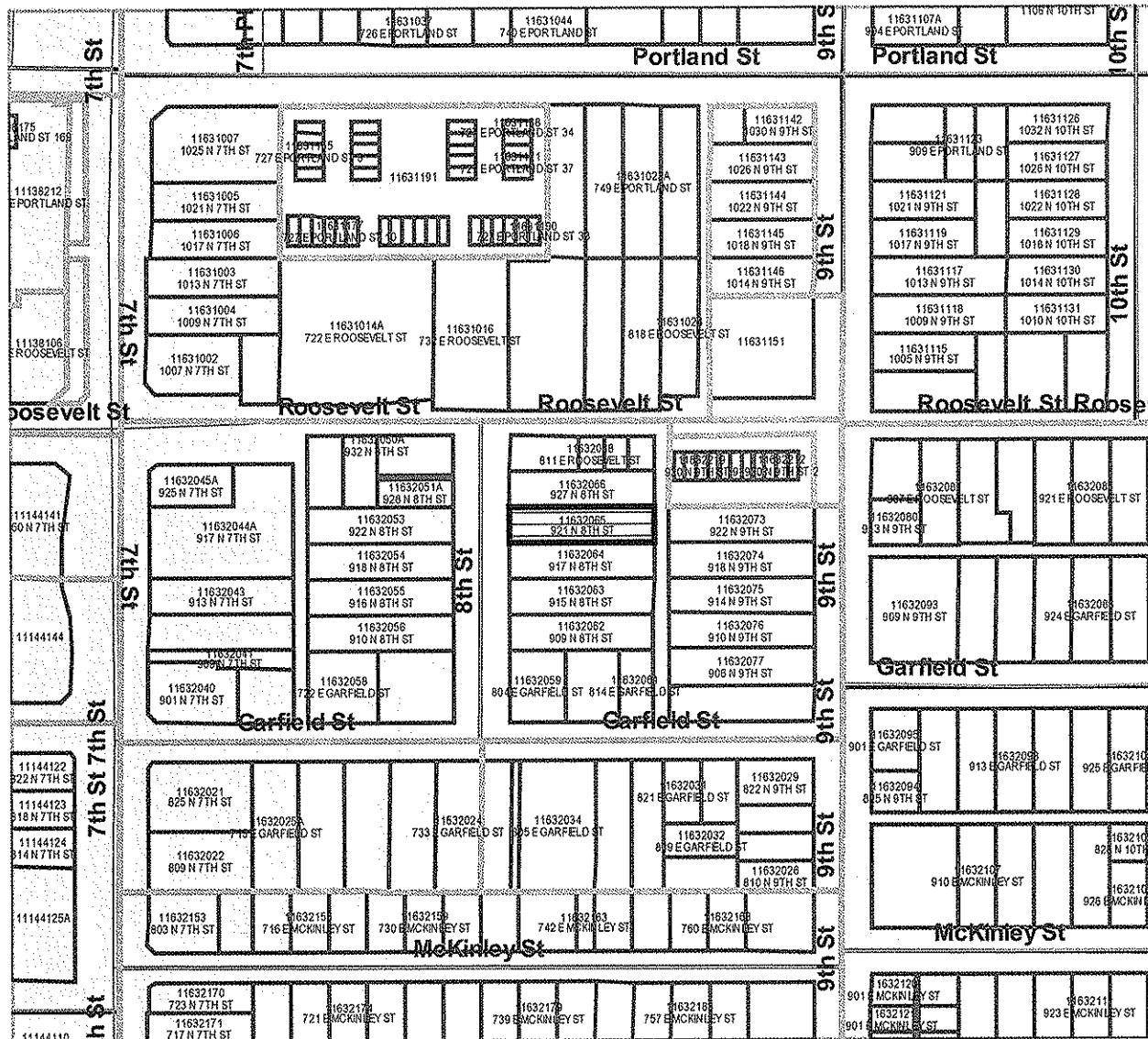
2008 Real Estate Taxes: \$1,201.76
Per square foot: \$0.14

Seller/Grantor: CFH Properties, Inc.

Buyer/Grantee: Gregory Barlow

Site Area: 8, 900 S.F.

Description: The site area of the parcel is approximately 8,900 square feet and is zoned R-5 by the City of Phoenix. The property has paved access from a lightly traveled residential street.



3 Year Sale History:

The sellers acquired the property in March 2006 for \$85,000. No other recorded transactions involving this property were discovered within the prior three years.

Zoning:

R-5, Multi-Family Residential

DOM:

464

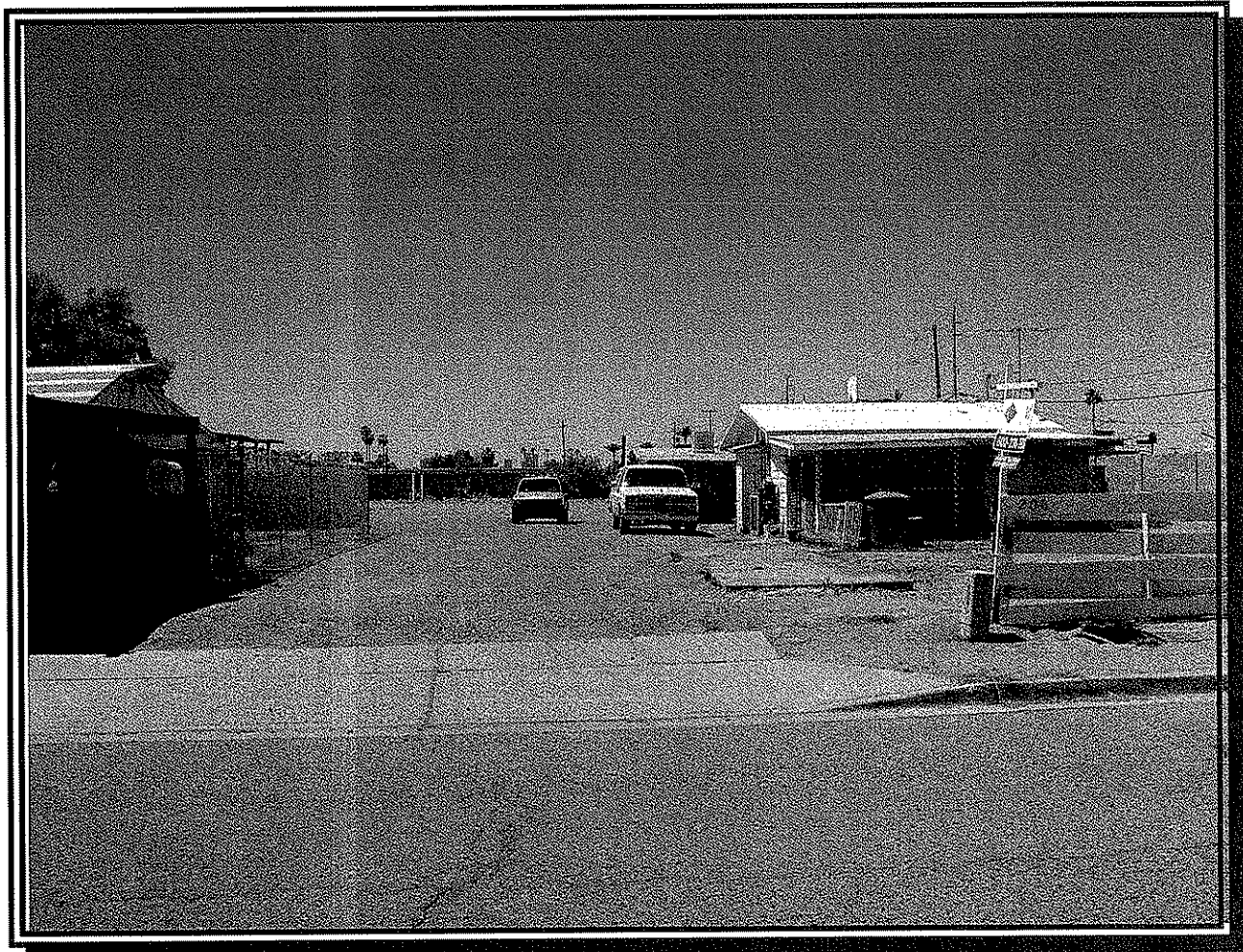
Shape:

Rectangular

Confirmation:

Public Records, MLS #4012742, Affidavit of Value Document
#09-0375319, Phillip Rosenberg, Listing Agent.

LAND COMPARABLE NO. 3



Location: 206 N. 32nd Place. Assessor Parcel: 121-18-028A
Phoenix, AZ

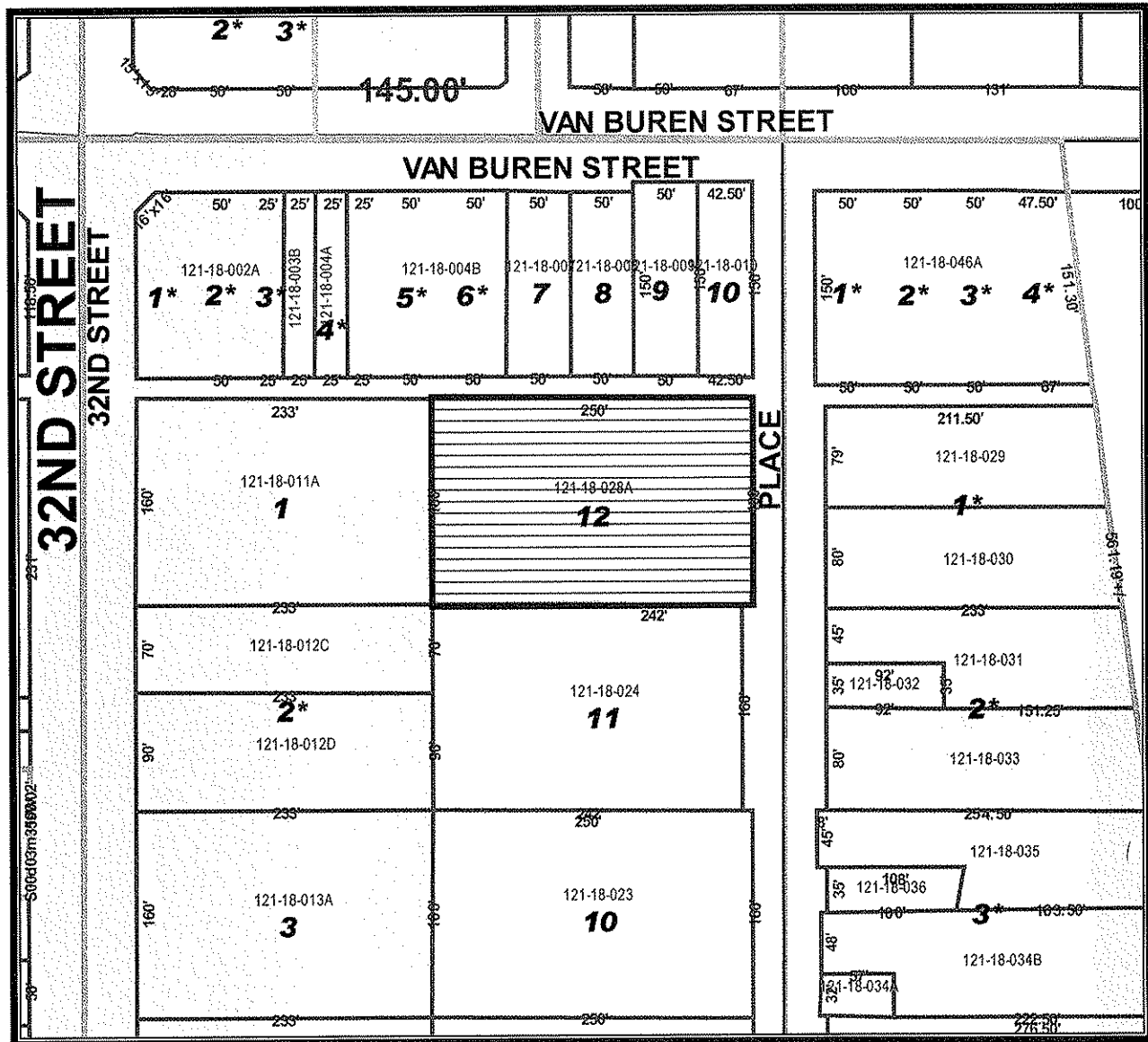
Sale Data

Sale Price: \$150,000 Date Recorded: May 4, 2009
Price/SF \$3.75

Docket Number: 2009-0394541 2008 Real Estate Taxes: \$2,281.18
Per square foot: \$0.06

Seller/Grantor: Pauline Joan Schaller Trust Buyer/Grantee: Joy K. Anderson
Site Area: 40,000 S.F.

Description: The site area of this parcel is 40,000 square feet and is zoned R-5 by the City of Phoenix. The property has paved access from a lightly traveled street. Agent reports improvements have no contributory value.



3 Year Sale History:

No recorded transactions involving this property were discovered within the prior three years.

Zoning:

R-5, Multi-Family Residential

DOM:

661

Shape:

Rectangular

Confirmation:

MLS #4086899, Listing Agent, Gregory S. Quinn; Affidavit of Value Document 09-0394541.

COMPARABLE LAND SALES SUMMARY

	Subject-1	Sale 1	Sale 2	Sale 3
Address	1937 W. Jefferson Phoenix	724 E. Maryland Ave. Phoenix 161-05-032, 037	921 N. 8th Street Phoenix 116-32-065	206 N. 32nd Pl. Phoenix 121-18-028A
Sale Date		1/30/2009	4/28/2009	05/04/09
Sales Price		\$525,000	\$50,000	\$150,000
Site Area (SF)	22,400	32,359	8,977	40,000
Price Per Square Foot		\$16.22	\$5.57	\$3.75
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Conditions of Sale	Market	Market	Market	Market
Location	Average	Average	Average	Average
Utility	Average	Average	Average	Average
Zoning	R-3	C-2/R-5	R-5	R-5

Comparable Land Sales Discussion

Comparable Number One represents a 0.74-acre parcel located about 5.5 miles northeast of the subject. This sale consists of two contiguous parcels located on a half-mile collector street. This comparable transferred on January 30, 2009 for a recorded price of \$525,000, or \$16.22 per square foot. Approximately two-thirds of the site is zoned C-2, Commercial, with the remainder of the site zoned R-4. Although the existing improvements may be used to offset some interim holding cost, the selling agent reports that they contributed no value to the agreed upon sales price. According to this agent, the purchaser plans to redevelop the site with a neighborhood Pharmacy. When compared to the subject downward adjustments are made to the unit price of this comparable to reflect its superior location/visibility and zoning. The adjusted unit price of this comparable is \$9.73 per square foot.

Comparable Number Two is comprised of an interior parcel with a site area of about 0.20 acre located about 1.5 miles northeast of the subject. This property is zoned R-5, Multi-Family Residential by the City of Phoenix. After being offered to the market for over 400 days this property sold on April 28, 2009 for \$50,000 or \$5.57 per square foot. Plans for the site were unknown. The property is inferior in location to the subject on a lightly traveled residential street. Overall, this site is considered similar in zoning and size. The adjusted price of this comparable is \$7.52 per square foot.

Comparable Number Three is the recent sale of a 0.92 acre site, located approximately 5 miles east of the subject. This property had been offered for sale for over 600 days before being placed into escrow on April 3, 2009. The property was listed at \$7.50 per square foot, before selling for \$150,000, or \$3.75 per square foot. The listing agent reports that the existing improvements are minimal and their presence did not influence the resulting offer price. This parcel is zoned R-5, Multiple-Family Residence, and has similar offsite improvements to the subject. This property closed escrow on May 4, 2009. The general location of this property is considered inferior to the subject. The current buyer reportedly is purchasing the property to hold it as a speculative investment until the area is ready to be redeveloped. An upward adjustment is made to reflect the superior location of the subject property. After adjustment, this property reflects a price of \$5.06 per square foot.

These comparables are considered the most current, comparable market data available. All comparables are located within a six-mile radius of the subject. The unit of comparison used to analyze the comparables is the price per square foot of site area. The unit prices of the comparables are calculated by dividing the sale price by their corresponding net site area. After completing these calculations, the comparables provided a range in unit price between \$3.75 and \$16.22 per square foot.

The subject site is comprised of a .51-acre parcel. The comparables were selected to bracket the size, location and utility of the subject. In outlying or suburban areas, it is common for larger parcels to sell for a lower per square foot price than smaller parcels. However, because the subject neighborhood is mostly built-out, smaller parcels must be assembled to produce a larger site. Thus, no size adjustment is applied to the unit price of these comparables. None of the comparables share the subject's R-3 zoning. Although all zoning classifications allow for the development of a school, the subject's R-3 zoning is more restrictive than the comparables R-5 and C-2 zoning. Alternative commercial uses on the subject's R-3, multi-family zoning are not typically allowed. However, based upon surrounding property uses, it is highly likely that a change in zoning to R-5 Multi-Family, which allows professional office, would be granted. As a result, no adjustment was warranted for the R-5 zoning of Comparables 2 and 3. Comparable No. 1's C-2 zoning is considered superior, due to its development potential and a downward adjustment was applied to this comparable.

After adjustment, the unit price range of the comparables narrowed to \$5.06 to \$9.73. Placing nearly weight on all three comparables, the subject's market value is estimated at \$8.00 per square foot of site area. Thus, the market value of the subject site is estimated as follows: 22,400 SF x \$8.00 per square foot equals \$179,200, rounded to \$180,000.

COMPARABLE LAND SALES ADJUSTMENT GRID

	Subject-1	Sale 1	Sale 2	Sale 3
Address	1937 W. Jefferson	724 E. Maryland Ave.	921 N. 8th Street	206 N. 32nd Pl.
	Phoenix	Phoenix	Phoenix	Phoenix
Sale Date (COE)		1/30/2009	4/28/2009	4/17/2009
Sales Price		\$525,000	\$50,000	\$150,000
Site Area (SF)	22,400	32,359	8,977	40,000
Price Per Square Foot		\$16.22	\$5.57	\$3.75
Adjustments:				
Property Rights		\$0.00	\$0.00	\$0.00
Financing Terms		\$0.00	\$0.00	\$0.00
Conditions of Sale		\$0.00	\$0.00	\$0.00
Date of Sale		\$0.00	\$0.00	\$0.00
Adjusted Price Square Foot		\$16.22	\$5.57	\$3.75
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.00%	0.00%	0.00%
Conditions of Sale	Market	Market	Market	Market
Adjustment		0.00%	0.00%	0.00%
Location	Average	Superior	Inferior	Inferior
Adjustment		-20.00%	35.00%	35.00%
Utility	Average	Average	Average	Average
Adjustment		0.00%	0.00%	0.00%
Zoning	R-3	C-2/R-5	R-5	R-5
Adjustment		-20.00%	0.00%	0.00%
Net Adjustments				
per Square Foot		-40%	35%	35%
Adjusted Price Per Unit		\$9.73	\$7.52	\$5.06

Sales Comparison Approach

The Sales Comparison Approach is used to estimate the market value of a property by comparing similar properties that have recently sold to the subject property. In order for the adjustment process to work, a unit or units of comparison for the subject and comparable properties must be selected. Typically, the price per square foot of building area is the most appropriate in the valuation of Day Care Facilities. Thus, the price per square foot of building area will be used as a unit of comparison in this analysis.

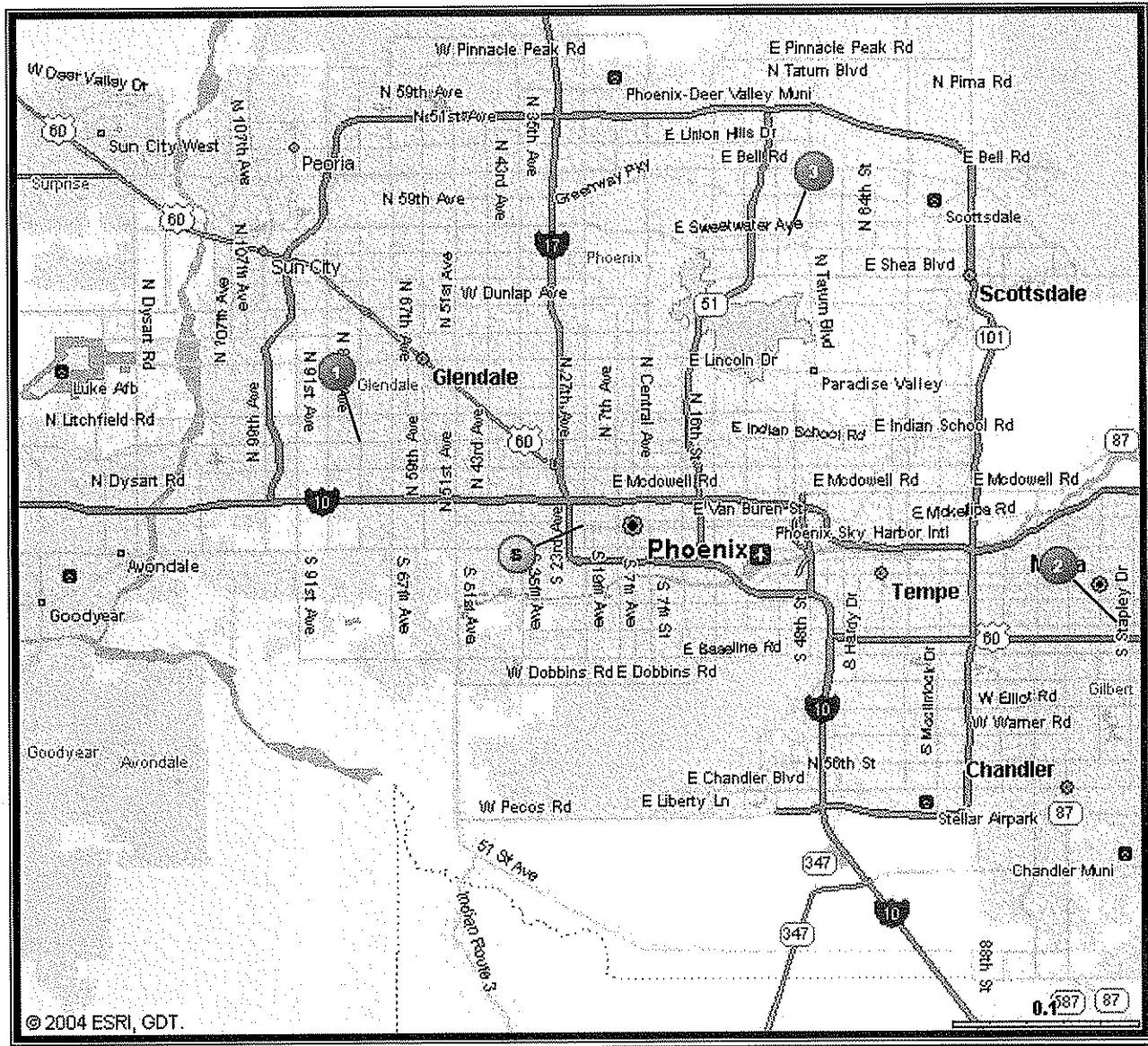
Few recent sales of single-tenant Day Care Facilities have occurred in the subject market area. The sales chosen represent the most comparable market data available. These sales were all confirmed through the public records and with at least one party involved in the transaction, whenever possible. The comparable sales are adjusted on the basis of property rights conveyed, financing terms, conditions of sale, time, location, and physical characteristics. The adjusted prices of the comparables provide a value range for the subject property. This range is then reconciled into a market value estimate for the subject.

A summary of the improved comparables utilized in this analysis, and individual comparable descriptions are located on the following pages.

COMPARABLE SALES SUMMARY

Address	Subject	Sale 1	Sale 2	Sale 3
	1937 W. Jefferson Phoenix	7418 W. Indian School Phoenix	1111 S. Horne St. Mesa	12801 N. Paradise Village Phoenix
Sale Date		11-May-09	25-Nov-08	6-May-09
Sales Price		\$1,300,000	\$825,000	\$465,000
Square Footage	8,772	10,500	6,188	7,320
Site Area	22,400	69,678	33,139	35,967
Price Per Square Foot		\$123.81	\$133.32	\$63.52
Property Rights	Fee Simple	Fee Simple	Fee Simple	Leasehold
Conditions of Sale		Market	Market	Market
Location	Average	Inferior	Average	Average
Condition	Average	Average	Average	Average
Improvement Age	41 Years	10-40 Years	25 Years	27 Years
Land to Bldg Ratio	2.55	6.64	5.36	4.91
Construction	Block/Asphalt	Block/Built Up	Block/Built Up	Block/Built Up
Zoning	R-3	C-2	R-4	RSC

COMPARABLE SALES LOCATION MAP



IMPROVED COMPARABLE NO. 1



Location: 7418 W. Indian School Rd. Assessor Parcel: 144-38-001J,
Phoenix, AZ 001K, 001M, 001Q

Sale Data

Sale Price: \$1,300,000 Date Recorded: May 11, 2009
Price/SF \$123.81 Terms: 10% down, New Conv. Loan.

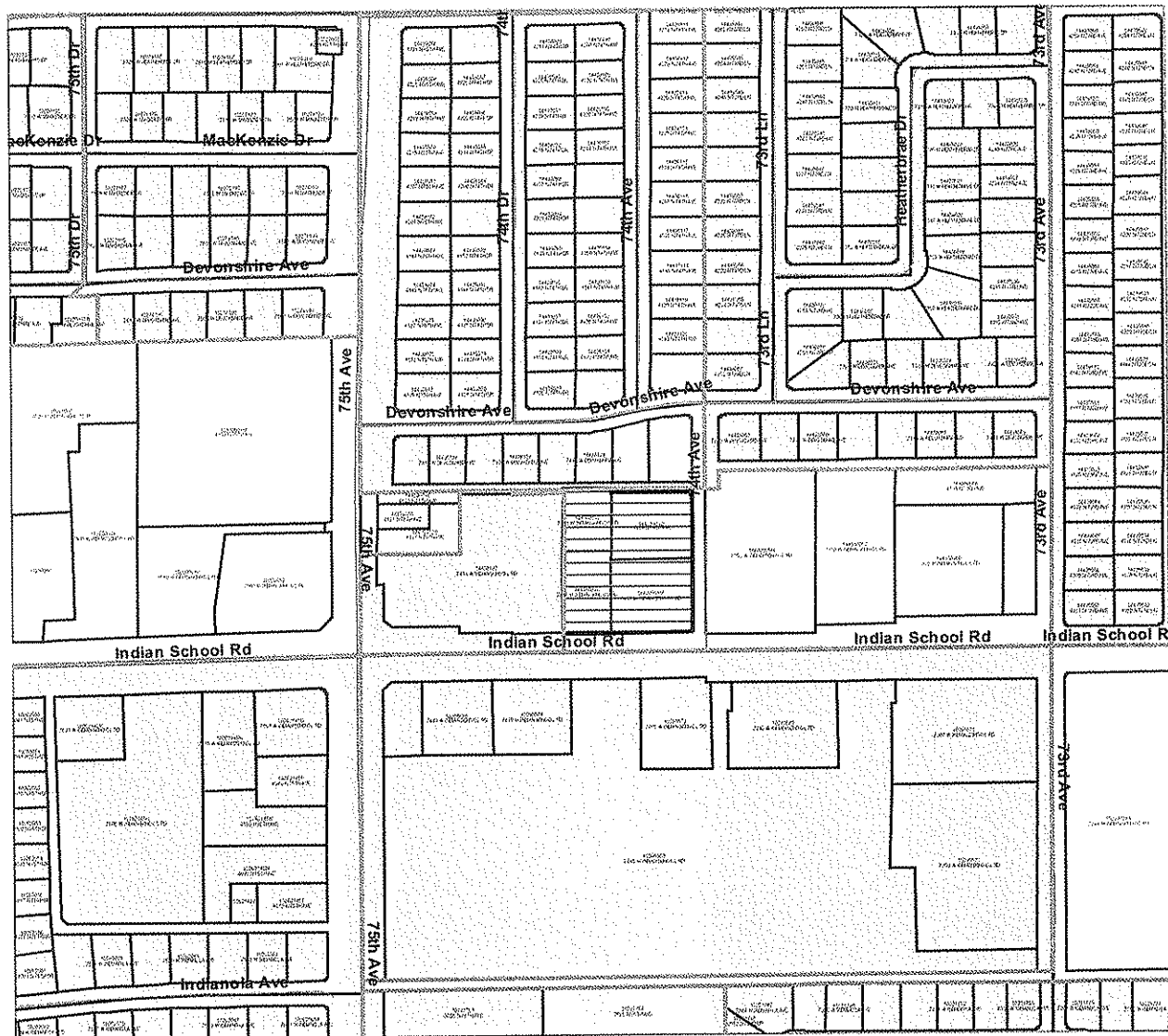
Docket Number: 09-0420039 2008 Real Estate Taxes: \$12,945.88
Per Square Foot: \$1.23

Seller/Grantor: William & Karin Klein

Buyer/Grantee: Kramer Ventures, LLC

Year Built: 1968-1998 Improvement Size: 10,500 SF

Site Area: 69,678 S.F. LTB Ratio: 6.64:1



Description:

This property is a single-tenant, freestanding Day Care Facility. Improvements consist of three buildings, constructed in stages between 1968 and 1998 of block walls and built up roofing. As of the date of sale, the improvements were reported to be in average condition.

3 Year Sale History:

The sellers acquired the property in April 1994. No recorded transactions involving this property were discovered within the prior three years. The property was reportedly listed for sale for 4-5 months prior to selling.

Confirmation:

Archie McGill, WCI Brokers listing agent, Public Records and Affidavit of Value.

IMPROVED COMPARABLE NO. 2



Location: 1111 S. Horne Street
Mesa, AZ

Assessor Parcel: 137-09-202

Sale Data

Sale Price: \$825,000
Price/SF \$133.32

Date Recorded: November 25, 2008
Terms: Cash

Docket Number: 08-1011075

2008 Real Estate Taxes: \$4,508.54
Per Square Foot: \$0.73

Seller/Grantor: Northern Trust, NA

Buyer/Grantee: Allan Kern

Year Built: 1984

Improvement Size: 6,188 SF

Site Area: 33,139 S.F.

LTB Ratio: 5.36:1



Description:

This property is a single-tenant Day Care Facility constructed in 1984 of block exterior walls and built-up roofing. The site has frontage and visibility from both Horne and Brown, arterials in the area.

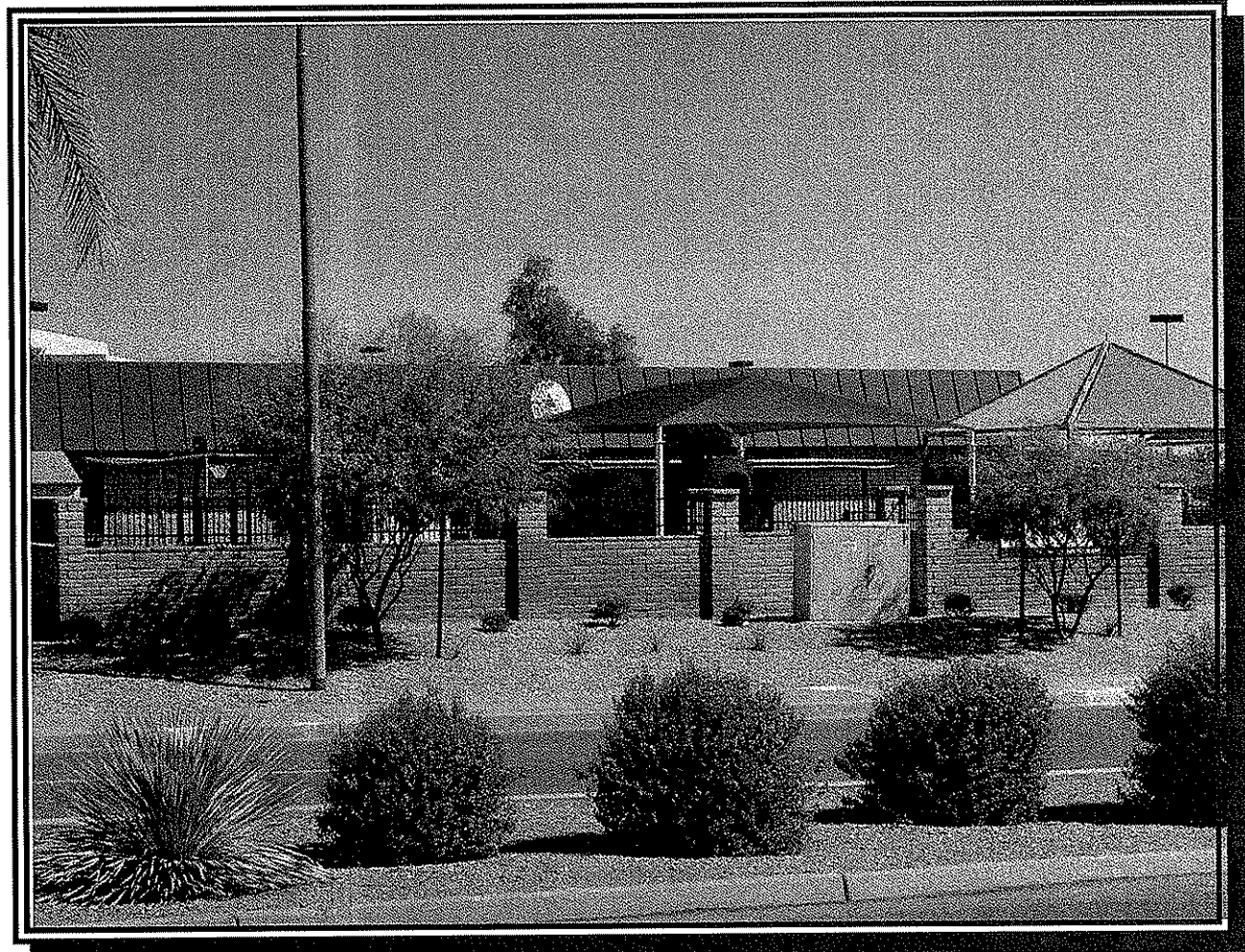
3 Year Sale History:

The sellers acquired the property in 1990. No recorded transactions involving this property were discovered within the prior three years.

Confirmation:

Chip Diamond, Diamond Properties, Listing Agent; Public Records, Costar, and Affidavit of Value.

IMPROVED COMPARABLE NO. 3



Location: 12801 N. Paradise Village Assessor Parcel: 167-25-014
Phoenix, AZ

Sale Data

Sale Price: \$465,000 Date Recorded: May 6, 2009
Price/SF \$63.52 Terms: Cash

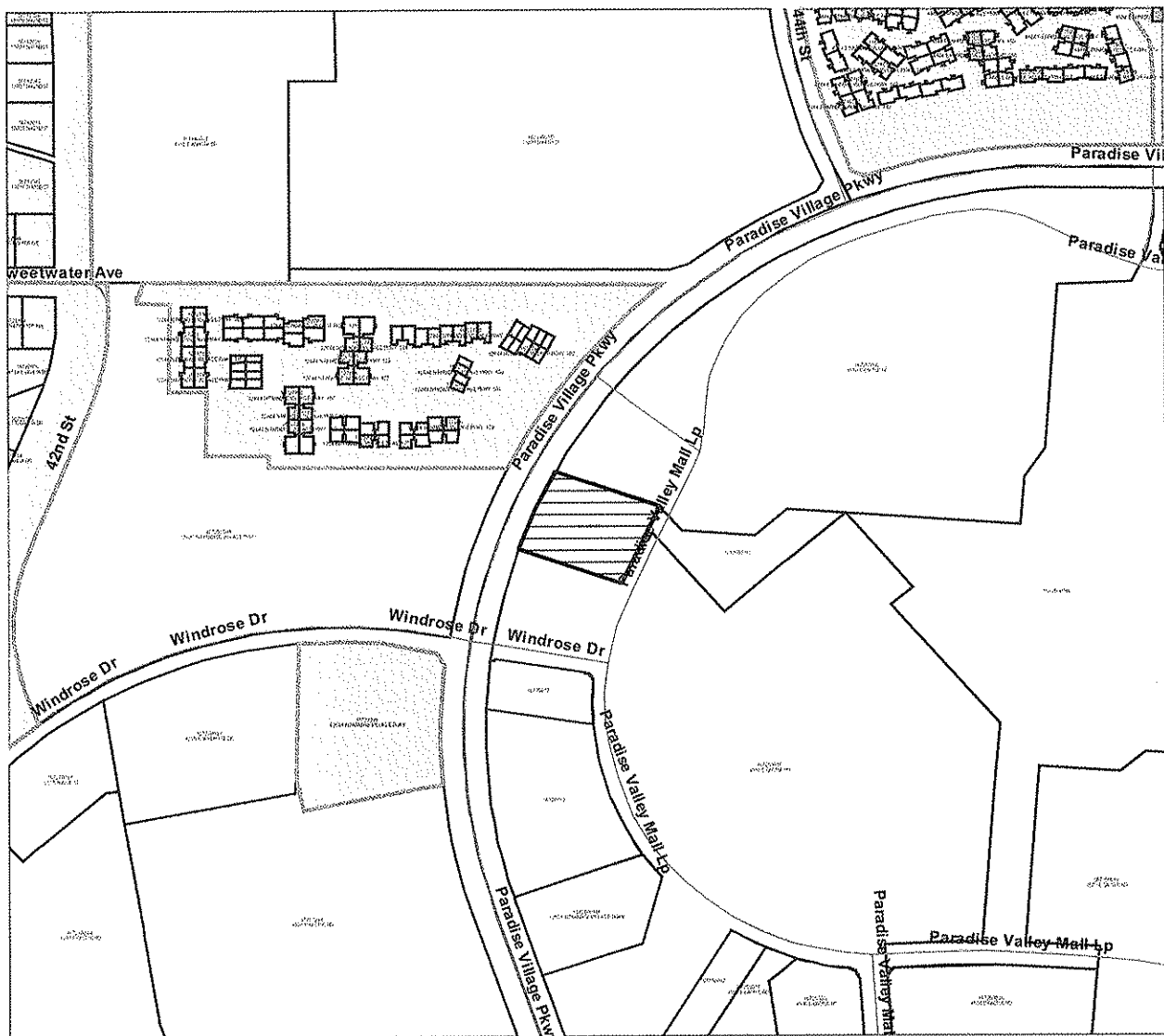
Docket Number: 09-04003367 2008 Real Estate Taxes: \$10,565.60
Per Square Feet: \$1.44

Seller/Grantor: Macerich Management Company

Buyer/Grantee: Maverick Decatur Georgia, LLC

Year Built: 1982 Improvement Size: 7,320 SF

Site Area: 35,967 S.F. LTB Ratio: 4.91:1



Description:

This property is a single-tenant Day Care Facility constructed in 1982 of block exterior walls and metal roofing. The site has frontage on Paradise Village Parkway, a secondary street that surrounds a regional mall. The site is zoned RSC, Regional Shopping Center, by the City of Phoenix.

3 Year Sale History:

There have been no recorded transfers involving this property within the prior three years.

Confirmation:

Mike Sharon, Macerich Management Company, Seller, Public Records and Affidavit of Value.

Discussion of Comparables

The subject improvements represent a single-tenant Day Care Facility. The improvements were built in 1968 of block construction with rolled asphalt roof covering. As of the date of appraisal, the subject was considered in average condition for its age with an effective age of 25 years. Recent sales of similar sized Day Care Facilities in the immediate area were not available. Thus, it was necessary to expand the search for comparables beyond the immediate subject neighborhood. These comparables represent the most comparable market data discovered as a result of this search.

Comparable Sale No. 1 is the May 2009 sale of a 10,500 square foot Day Care Facility located at 7418 W. Indian School Road. The property sold for \$1,300,000 or \$123.81 per square foot for the real estate. According to the listing broker, the buyers paid an additional amount to purchase the on-going business concern. The real estate portion of the transaction is reflected in the affidavit of value recorded with the County Assessor and was utilized for this analysis. Access and visibility is via Indian School Road, an arterial street in the area. The improvements are single-story, constructed in phases between 1968 and 1998 of CMU block with a built up roof cover. This comparable's site is approximately 70,000 square feet, with a land-to-building ratio of 6.64:1, and open paved parking. Comparable No. 1 is zoned C-2, Intermediate Commercial, by the City of Phoenix. As of the date of sale, the improvements were considered in average condition for their age.

Upward adjustment is applied to this comparable to reflect its inferior location. After adjustment, this sale indicates a price for the subject property of approximately \$136 per square foot.

Comparable Sale No. 2 is located at 1111 S. Horne Street, in Mesa. This comparable sold in November 2008 for \$825,000, or approximately \$133 per square foot. The site is zoned R-4, Multi-Family Residential, by the City of Mesa. The improvements consist of a single-tenant, freestanding Day Care Facility of approximately 6,188 square feet. The site is approximately 33,000 square feet with open paved parking. The improvements were constructed in 1984 and were in average condition at the time of sale.

This comparable is considered recent enough not to require an adjustment for time. After adjustments this comparable indicates a price of approximately \$133 per square foot for the subject.

Comparable Sale No. 3 is the May 2009 sale of a 7,320 square foot Day Care Facility located at 12801 N. Paradise Village Parkway, in Phoenix. The sales price of this property is \$465,000 or approximately \$63.52 per square foot. The improvements include a single-tenant Day Care Facility built in 1982 of block exterior walls and metal roof covering. The site is zoned RSC, Regional Shopping Center, by the City of Phoenix and is approximately 36,000 square feet. Site improvements include open asphalt paved parking and perimeter fencing.

According to the seller, the property is encumbered with a ground lease and the rights transferred represent a leasehold interest. The terms of the lease were reported to be long-term with below market rents. The seller noted that the sales price was below market due to this long-term lease. When compared to the subject, the unit price of this comparable is adjusted upward for property rights. After adjustment, this comparable indicates a value for the subject of \$108.52 per square foot.

Discussion of Adjustments

The comparables are adjusted for such differences as property rights conveyed, financing, conditions of sale, market conditions (time), location, and physical characteristics.

Property Rights Conveyed

Many types of real estate are income producing and sold subject to lease conditions. If these leases reflect other than market rent, then an adjustment is required based on how the market reacts to this difference. In considering the comparable properties, Comparables 1 and 2 represent the fee simple interest exchanged. As noted, Comparable No. 3 transferred the leasehold interest and was reported to be below market. An upward adjustment is applied to this comparable based upon input from the seller.

Financing

The definition of market value states that the value estimate must be based on terms of cash or the equivalent. All three comparables transferred as either cash or cash equivalent transactions. As a result, no adjustment for financing terms is required.

Conditions of Sale

The purpose of this adjustment is to account for any non-market conditions that were reflected in the transaction. This adjustment usually accounts for the motivations of the buyer and the seller. Adjustments for motivations of buyers and sellers are extremely subjective in nature. No paired sale analysis is available and adjustments are typically based on discussions with knowledgeable market participants and other sales in the area. Based upon the information obtained in the confirmation process, none of the comparables required an adjustment for this factor.

Market Conditions

The next item that must be considered is an adjustment for market conditions (time). Because there is a difference between the date of valuation and the sale of each comparable, it is necessary to analyze the market to see if any time adjustment, positive or negative, would be warranted. In theory, this is accomplished by abstracting an appreciation or depreciation rate from comparables that sell and then resell or by comparing two very similar properties that have sold at different time periods. The abstracted rates provide an estimate of appreciation or depreciation within various time intervals. Given current market conditions, no such paired sales were available for analysis. As a result, time adjustments were considered based upon general market conditions and input from local market participants.

Although Comparable 2 transferred over 6 months ago, local market conditions have been relatively stagnant and prices in the area relatively stable during that period. Thus, all three comparables are considered recent enough not to require an adjustment for time.

Location/Access

The subject property and Comparables 2 and 3 are considered to be located in similar neighborhoods based upon surrounding property values. Comparable No. 1 is located in an area of somewhat lower sales prices. As a result, Comparable No. 1 is adjusted upward to reflect the subject's superior location.

Zoning

None of the comparables share the same zoning classification as the subject's R-3, Multi-Family Residential. However, the subject's R-3 zoning and all of the comparables zoning, allow for the development of schools. Therefore, no adjustment was made for zoning differences to these comparables.

Age/Condition

The subject improvements are approximately 41 years old and are considered in average condition for their age with minimal signs of deferred maintenance. All three comparables were reported to be in similar condition. Thus, no condition adjustments are applied.

Land-to-Building Ratio

All three comparables have higher land-to-building ratios than the subject. However, it is assumed that a shared parking agreement would be implemented due to the common ownership of the subject and adjacent properties. As a result, the subject's site area is considered sufficient to accommodate all parking requirements. Thus, no adjustment for land-to-building ratio is considered warranted.

Size

Typically, smaller sized properties tend to sell for a higher unit price than larger properties. The comparable properties range in size from 6,188 to 10,500 square feet. The size of the subject is near the middle of this range at 8,772 square feet. When comparing the price per square foot, after adjustments for other factors, no discernable pattern exists to support an adjustment for improvement size. As a result, no size adjustments were applied.

Conclusion

The comparables provide a range before adjustments of \$63.52 to \$133.32 per square foot. Terms of each of the sales were cash or cash equivalent. After considering the criteria of date-of-sale, size, location, land-to-building ratio, and condition, the adjusted range narrowed to between \$108.52 and \$136.19 per square foot. In the final analysis, most weight is placed upon Comparables 1 and 2, as fee simple interest transfers. Based upon the comparable sales presented in this appraisal, a value estimate of \$130 per square foot for the subject property is utilized. Thus, the market value of the subject property via the Sales Comparison Approach is estimated to be:

$$\begin{aligned} &8,772 \text{ Square Feet} \times \$130/\text{SF} = \$1,140,360 \\ &\quad \quad \quad \text{\$1,100,000 Rounded} \end{aligned}$$

COMPARABLE IMPROVED SALES ADJUSTMENT GRID

Address	Subject-1 1937 W. Jefferson Phoenix	Sale 1 7418 W. Indian School Phoenix	Sale 2 1111 S. Horne St. Mesa	Sale 3 12801 N. Paradise Village Phoenix
Sale Date		11-May-09	25-Nov-08	6-May-09
Sales Price		\$1,300,000	\$825,000	\$465,000
Square Footage	8,772	10,500	6,188	7,320
Site Area	22,400	69,678	33,139	35,967
Price Per Square Foot		\$123.81	\$133.32	\$63.52
Adjustments:				
Property Rights		\$0.00	\$0.00	\$45.00
Financing Terms		\$0.00	\$0.00	\$0.00
Conditions of Sale		\$0.00	\$0.00	\$0.00
Date of Sale		\$0.00	\$0.00	\$0.00
Adjusted Price Per Sq. Ft.		\$123.81	\$133.32	\$108.52
Location	Average	Inferior	Average	Average
Adjustment		10%	0%	0%
Zoning	R-3	C-2	R-4	RSC
Adjustment		0%	0%	0%
Condition/Age	Average	Average	Average	Average
Adjustment		0%	0%	0%
Land to Bldg Ratio	2.55	6.64	5.36	4.91
Adjustment		0%	0%	0%
Size	8,772	Similar	Similar	Similar
Adjustment		0%	0%	0%
Net Adjustments				
per SF		10%	0%	0%
Adjusted Price Per Sq. Ft.		\$136.19	\$133.32	\$108.52

Income Approach

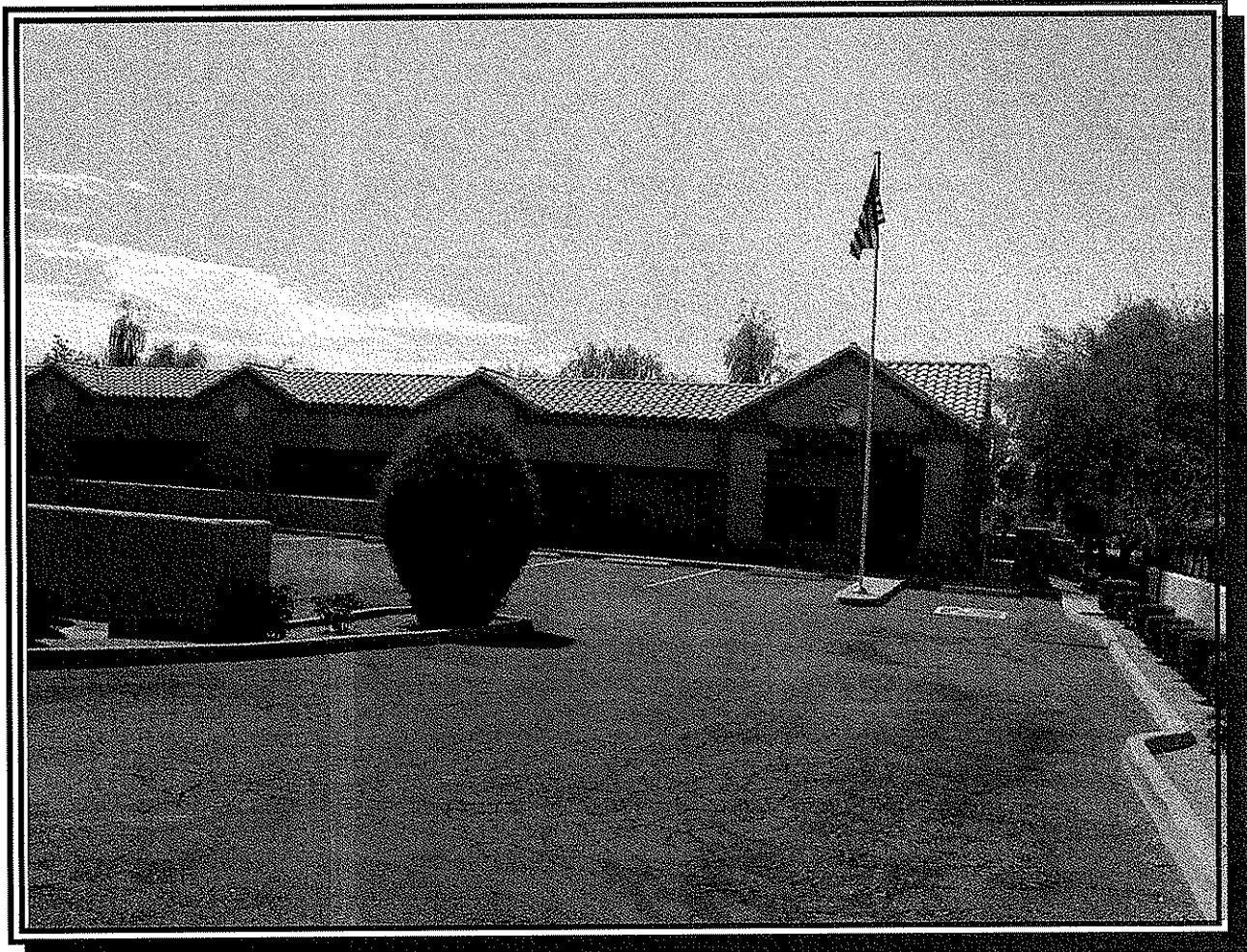
The Income Approach to value is based upon the principle of anticipation. This principle states that the value of a property is based upon the present value of its future benefits. From a purchaser's viewpoint, the most important aspect of an investment property is its income potential.

There are several key steps in estimating the market value of the subject property by the Income Approach. First, the Potential Gross Income of the subject property is estimated by direct comparison with comparable rentals. Second, the expenses associated with operation of the property are estimated and deducted from the Potential Gross Income. The result is an estimate of Net Operating Income for the subject property. The estimate of Net Operating Income may then be converted into an estimate of market value by direct capitalization.

Potential Gross Income

The following Day Care rentals were surveyed to arrive at an opinion of market rent for the subject property. Based upon this analysis, the estimated market rent will be used to arrive at the estimated Potential Gross Income for the subject. The following is a summary of the comparable rentals utilized in this analysis.

RENT COMPARABLE NO. 1



Location: 4111 E. Ray Road
Phoenix, AZ

Year Built: 1989 Improvement Size: 8,755 SF

Site Area: 40,424 S.F. LTB Ratio: 4.62:1

Rental Data

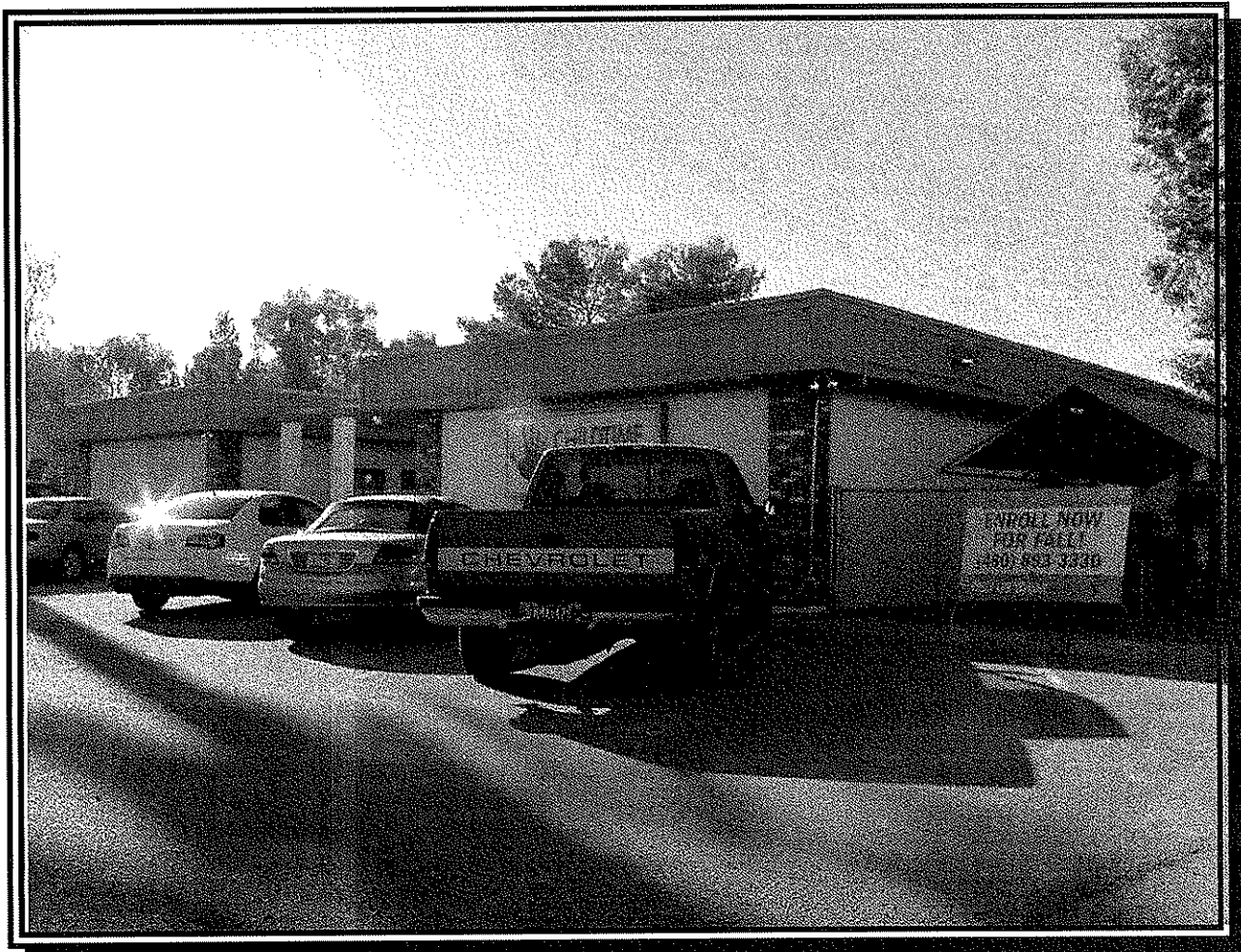
Size: 8,755 SF Rent: \$18,000/Month \$24.67/SF

Terms: Triple Net – Tenant pays all expenses

Lease 11-Years

Description: This rental is the result of a sale-leaseback of the property by Sunrise Preschool. According to the real estate department at Sunrise, the rental terms of this contract were triple net with increases every two years. The improvements were constructed in 1989 and are reported in above average condition. The property has uncovered paved parking and a playground area.

RENT COMPARABLE NO. 2



Location: 5050 E. Warner Road
Phoenix, AZ

Year Built:	1982	Improvement Size:	4,898 SF
Site Area:	23,000 S.F.	LTB Ratio:	4.98:1

Rental Data

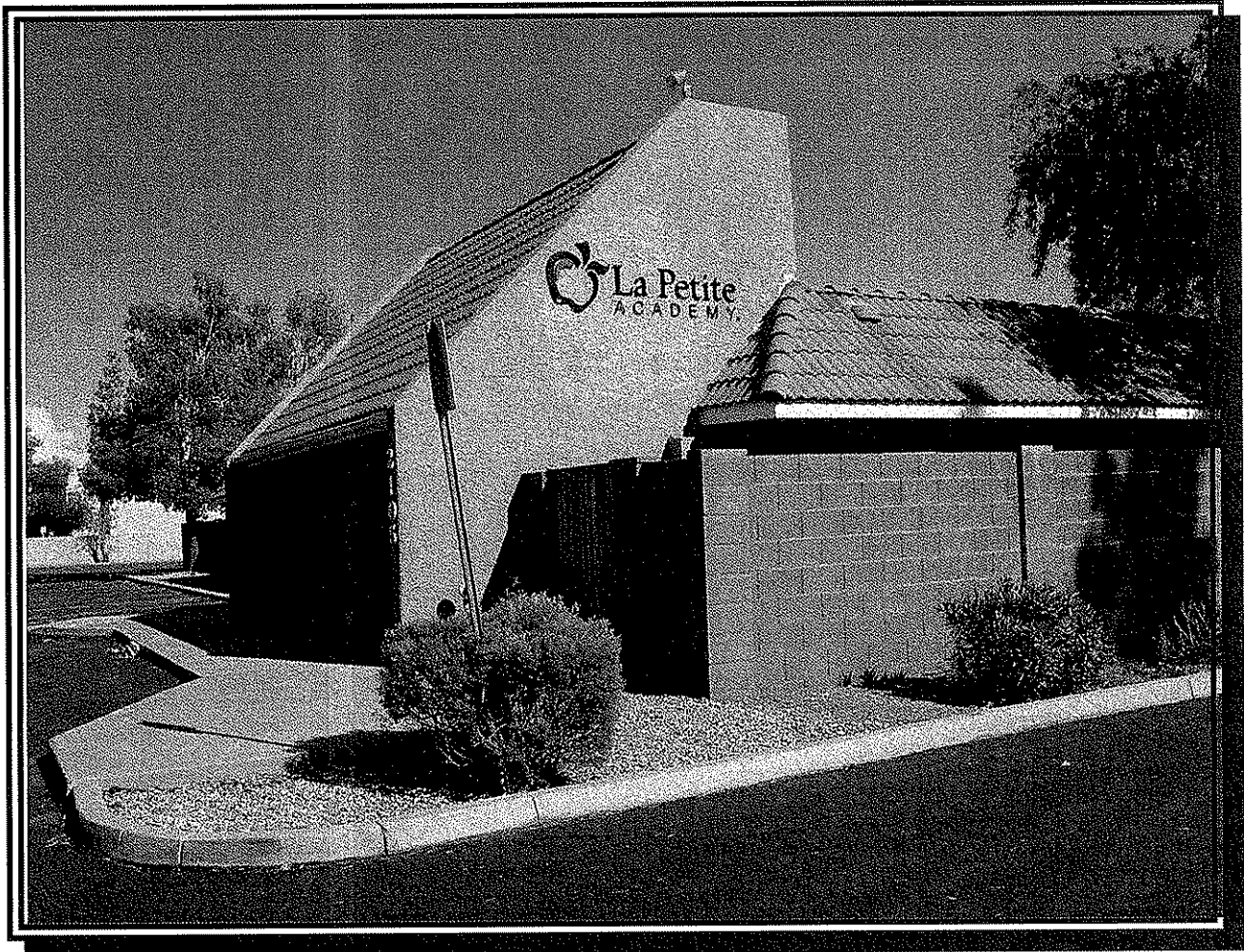
Size:	4,898 SF	Rent:	\$5,760/Month	\$14.11/SF
-------	----------	-------	---------------	------------

Terms:	Triple Net – Tenant pays all expenses
--------	---------------------------------------

Lease Term:	10 +Years
-------------	-----------

Description: This property is a single-tenant Day Care Facility constructed in 1982 of block exterior walls and built-up roofing. The site has frontage on Warner Road, an arterial street. The site is zoned C-1 by the City of Phoenix.

RENT COMPARABLE NO. 3



Location: 2105 E. Southern Avenue Mesa, AZ

Year Built: 1984 Improvement Size: 7,365 SF

Site Area: 30,000 S.F. LTB Ratio: 4.07:1

Rental Data

Size: 7,365 SF Rent: \$7,672/Month \$12.50/SF

Terms: Triple Net

Lease Term: 5 Years with annual increases

Description: This is the pending contract of a rental of a single-tenant Day Care Center. The leasing broker reports that negotiations are nearly complete and he anticipates signing the tenant in the next 7 days. Terms of the lease are modified triple net with the landlord paying only taxes. The improvements were constructed in 1984 and are reported in average condition. The property has uncovered paved parking.

Discussion of Rental Comparables

A survey of rental properties similar to the subject showed that rental rates are typically quoted as triple net rates, with the tenants paying all expenses. All three comparables were reported as Triple Net or modified Triple Net. For the purpose of this analysis, Triple Net monthly rental rates were considered to be most reflective of achievable market rents.

Comparable No. 1 is a single-tenant building located at 4111 E. Ray Road. The improvements are approximately 8,755 square feet and considered in above average condition for their age with paved parking. Rental rates are reported to be \$18,000 per month, or \$24.67 per square foot per year. This lease agreement is the result of a sale-leaseback of the property. When compared to the subject, this property would require downward adjustment for superior location/condition. The adjusted rate for this comparable is \$16.04 per foot.

Comparable No. 2 is located at 5050 E. Warner Road in Phoenix. This property is currently under contract with a long-term lease in place. The rental rate is reported to be approximately \$5,760 per month or \$14.11/SF annually. Terms of the lease are triple net. The improvements are 27 years old, constructed with block walls and built up roofing. No adjustments were applied to this comparable, resulting in a triple net rental rate of \$14.11 per square foot, annually.

Comparable No. 3 is a single-tenant Day Care Facility located at 2105 E. Southern Avenue. The improvements consist of a 7,365 square foot block structure with tile roof cover. According to the leasing broker, the lease is under negotiations and is anticipated to close within a week. Rental rates are reported at \$7,672 per month, or 12.50 per square foot, annually. Terms of the lease are modified triple net, with the owner paying only property taxes. As a result of these modified terms, an upward adjustment to the rental rate would apply. This property is considered similar to the subject in location and condition. The rental rate reflected by this comparable is \$12.50 per square foot, annually.

COMPARABLE RENTALS SUMMARY

Address	Subject 1937 W. Jefferson Phoenix	Rental 1 4111 E. Ray Rd Phoenix	Rental 2 5050 E. Warner Rd 2105 E. Southern Ave	Rental 3 2105 E. Southern Ave Mesa
Length of Lease		11 Years	10 + Years	Pending
Monthly Rental		\$18,000	\$5,760	\$7,672
Terms		NNN	NNN	NNN
Improvement size	8,772	8,755	4,898	7,365
Rentable Square Footage	8,772	8,755	4,898	7,365
Site Area	22,400	40,424	24,394	30,000
Annual Rent Per Square Foot		\$24.67	\$14.11	\$12.50
Location	Average	Above Average	Average	Average
Condition	Average	Above Average	Average	Average
Improvement Age	41 Years	10 Years	27 Years	25 Years
Land to Bldg Ratio	2.55	4.62	4.98	4.07
Construction	Block/Asphalt	Block/Built Up/Tile	Block/Built UP	Block/Tile
Zoning	R-3	R-4	C-1	C-2

Conclusion

In the analysis of comparable rental properties, it is important that they represent a reasonable substitute type of property from a tenant's perspective. As no two properties are identical, variations in rental rates occur, attributable to factors such as location, size, condition, etc. Achievable rental rates are therefore dependent upon many factors. Although there were no similar improvements leased in the subject's immediate neighborhood, all of the comparable properties chosen for analysis are thought to represent reasonable substitutions for the subject property.

The adjusted range of rental rates indicated by the comparables is between \$12.50 and \$16.04 per square foot, annually. Thus, placing nearly equal weight on all three comparables, market rent for the subject is estimated at \$13.00 per square foot, annually on a triple net basis.

Vacancy and Credit Allowance

An allowance for vacancy and credit loss is deducted from the estimate of Potential Gross Income. The deduction is made to account for periods of vacancy during tenant turnover and for nonpayment of rent.

The subject property is a single-tenant building. Therefore, the property will either be 100% vacant or 100% occupied at all times. As exhibited by the rental comparables, typical lease terms of properties similar to the subject are written for 5 to 15 years. The average time required to re-lease a property like the subject is estimated to be three to four months. Based upon this information, an estimate of a typical lease period of ten years followed by approximately three to four months of vacancy is applied. Therefore, a stabilized vacancy and credit loss of 2.5% to 3.3% is indicated. An estimate near the middle of the range at 3% is selected and applied to the Potential Gross Income estimate.

Operating Expenses

As noted, the triple net lease structure allows the landlord to pass all operating expenses through to the tenant. However, an estimate of actual expenses is required to calculate the cost of vacancy associated with this lease structure. The subject is currently vacant and no actual expenses were available for analysis. Thus, an estimate of operating expenses was made based upon comparable properties and market data.

Professional Management

Professional management fees typically run 4% to 8% of effective gross income for properties similar to the subject, according to brokers active in the local market. As a single-tenant building, the management expense would most likely be near the middle of the range. Thus, a fee of 5% is applied to the subject's Effective Gross Income.

Taxes

The subject is tax exempt. Therefore, estimated taxes of \$1.13/SF or \$9,912, based upon the average taxes of the comparable sales shall be utilized.

Insurance

Based upon quotes provided by insurance carriers, the subject's insurance premium is estimated at \$1,700 annually.

Utilities

Subject utilities are considered to be minimal during times of vacancy. Thus, an estimate of \$150 per month is applied to cover all utilities that cannot be passed through to a tenant.

Repairs and Maintenance

Repair expenses are estimated based upon the expenses of comparable properties within the subject market area. An estimate of \$0.25 per square foot for repairs is considered within industry norms and will be applied in the Stabilized Income Statement.

Miscellaneous

This category is intended to cover such items as legal, accounting, and other non-recurring expenses. An estimate of 2% of Effective Gross Income is utilized.

Cost of Vacancy

This figure is calculated based upon the stabilized vacancy rate and estimate of expenses passed through to the tenants. The total of taxes, insurance and repairs for the subject is estimated at

\$17,805 or \$2.03 per square foot. This figure is adjusted to reflect the estimated 3% stabilized vacancy rate.

Reserves for replacement

Typically, a replacement allowance provides for the periodic replacement of building components that wear out over time, more rapidly than the building itself and must be replaced during the building's economic life. Components typically associated with reserve replacements include; floor coverings, heating/cooling units, roof coverings, driveways, and parking lots. None of the comparables utilized for derivation of a capitalization rate included reserves for replacements as a line item expense. Thus, reserves for replacement are built into the resulting capitalization rate, and is not deducted from the following stabilized operating statement as a line item expense.

NET OPERATING INCOME

The Net Operating Income is calculated by deducting the vacancy, credit loss and operating expenses from the Potential Gross Income. The result is an estimate of Net Operating Income of \$104,550. A reconstructed operating statement follows.

<i>PGI @</i>	<i>\$13.00 per S.F.</i>	<i>\$114,036</i>	
<i>Vacancy @</i>	<i>3.00%</i>	<i><u>\$3,421</u></i>	
<i>EGI</i>			<i>\$110,615</i>
<i>Less Expenses</i>			
	<i>Cost of vacancy @ \$2.03</i>	<i>per SF</i>	<i>\$534</i>
	<i>mgmt @ 5.00%</i>	<i>of EGI</i>	<i><u>\$5,531</u></i>
<i>Total Expenses</i>			<i><u><u>\$6,065</u></u></i>
<i>NOI</i>			<i>\$104,550</i>

CAPITALIZATION

Capitalization is a method used to convert income into an estimate of value. There are two common methods of capitalization, Direct and Yield. Direct capitalization is the most widely use method of converting an income estimate to market value for a stabilized property. A single-tenant property, like the subject property, is most likely to be purchased by an owner/user or small investor. Direct capitalization is the choice of many small investors because of its overall simplicity to calculate. Therefore, in an effort to best simulate the most probable buyers method of analysis, direct capitalization will be utilized.

A survey of Day Care Centers indicated that many are leased on a long-term basis, while some are owner-occupied. The following properties indicated a range of Capitalization rates from 7.38% to 8.25%. In addition to these properties, Sales Comparable No. 2 sold while leased at a cap rate of 10.8% and Rental Comparable No. 2 is under contract at a 9.0% cap rate. The resulting range is from 7.3% to 10.8%. Applying this range to the estimated Net Operating Income of the subject produces an approximate range in value between \$970,000 to \$1,400,000. Based upon current market conditions, condition of the subject improvements and associated risk, the value produced by this approach is estimated towards the lower to middle of the range at say \$1,100,000.

DIRECT CAPITALIZATION RATE COMPARABLES

Property Address	Square Footage	Sales/List Price	NOI	Cap Rate
12436 N. 28th Drive	3,654	\$557,860	\$41,154	7.38%
3011 W. Bell Road	7,200	\$1,988,000	\$149,100	7.50%
4909 E. Brown Road	5,453	\$925,000	\$74,000	8.00%
5911 W. Thunderbird	18,252	\$8,410,000	\$693,825	8.25%

Therefore, my opinion as to the Market Value Estimate of the subject's fee simple interest, as of August 19, 2009, via the Income Approach, is estimated at \$1,100,000.

Reconciliation/ Value Conclusion

The reconciliation is the final step in the valuation process. The appraiser evaluates the merits of each approach utilized in the report to conclude to a single market value estimate. Although all three approaches were considered, only two of the three traditional approaches to value were utilized to estimate the market value of the subject property. Due to the age of the subject improvements, the Cost Approach was not considered a necessary method of analysis for the subject property.

The overall reliability of the Income Approach in estimating the subject property's market value is considered good. Day Care Centers similar to the subject are often purchased by investors who analyze and rely upon the cash flow of the project. As a result, adequate support was discovered for estimates of Potential Gross Income and operating expenses. Overall, the Income Approach is considered to provide equal support for the indication of value.

In the Sales Comparison Approach, the more comparable and plentiful the sales information, the more reliable the value estimate. My research of the subject's market area did not result in many recent sales of similar properties. Thus, the search for comparables was expanded to surrounding areas thought to be similar in locational factors and amenities. The comparables selected for analysis in the Sales Comparison Approach represent the best, most comparable market data discovered. Buyers and sellers in this market segment typically place significant emphasis upon this approach when selling and purchasing comparable properties. Therefore, this approach is considered to have equal emphasis in the indication of market value for the subject property.

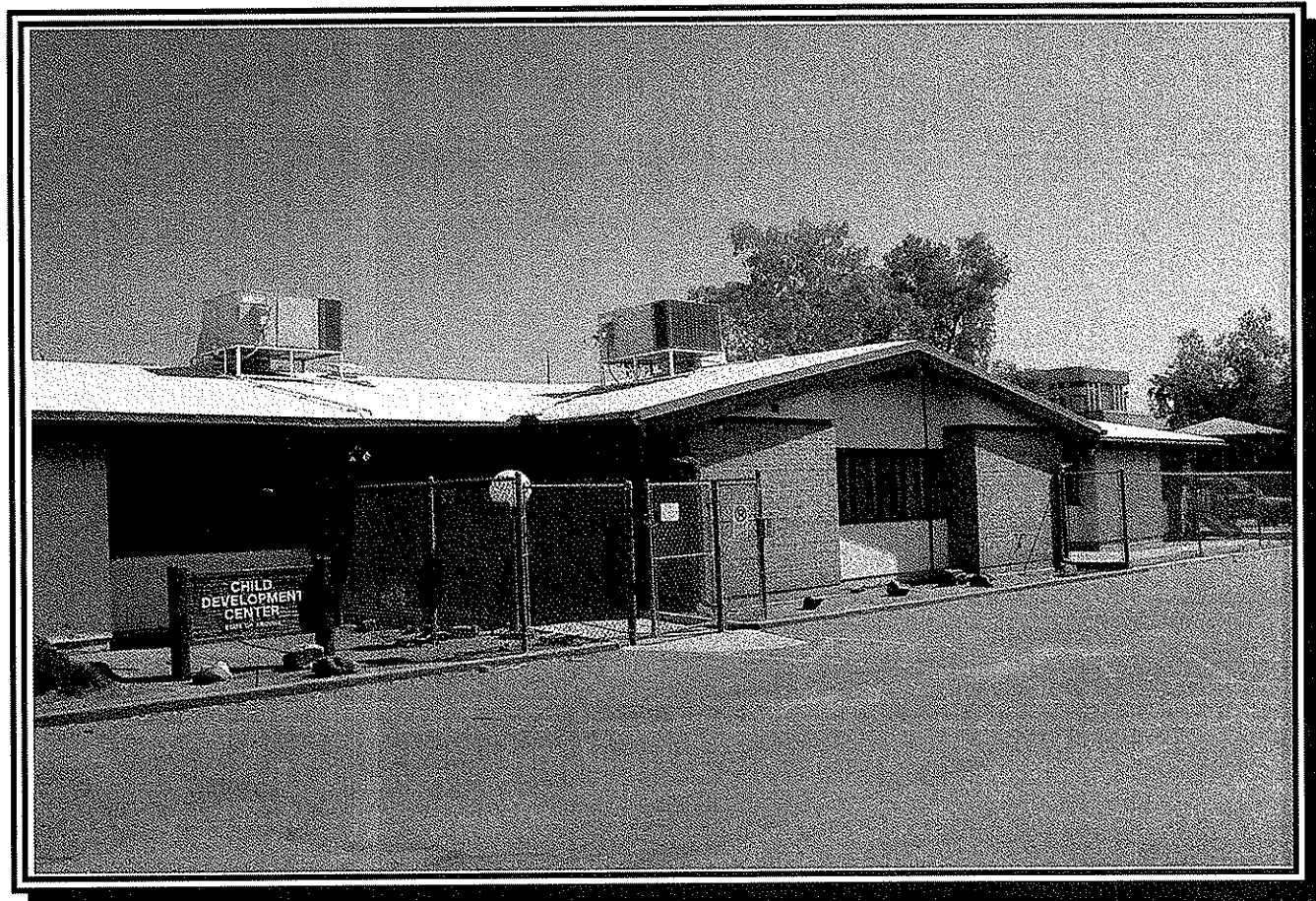
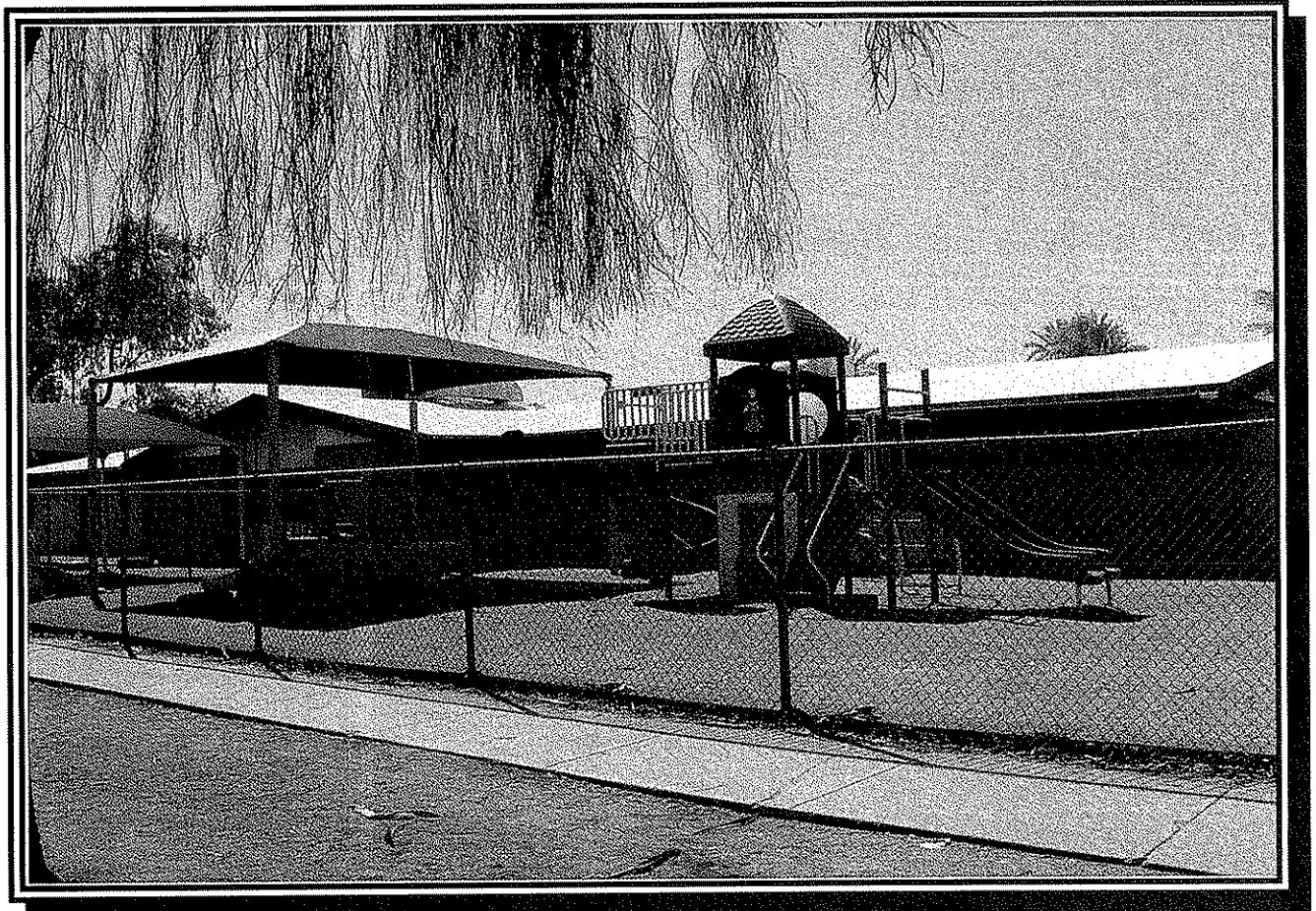
**My opinion of the "AS IS" market value of the fee simple interest of the subject property
as of August 19, 2009 is estimated at:**

**\$1,100,000
ONE MILLION ONE HUNDRED THOUSAND DOLLARS**

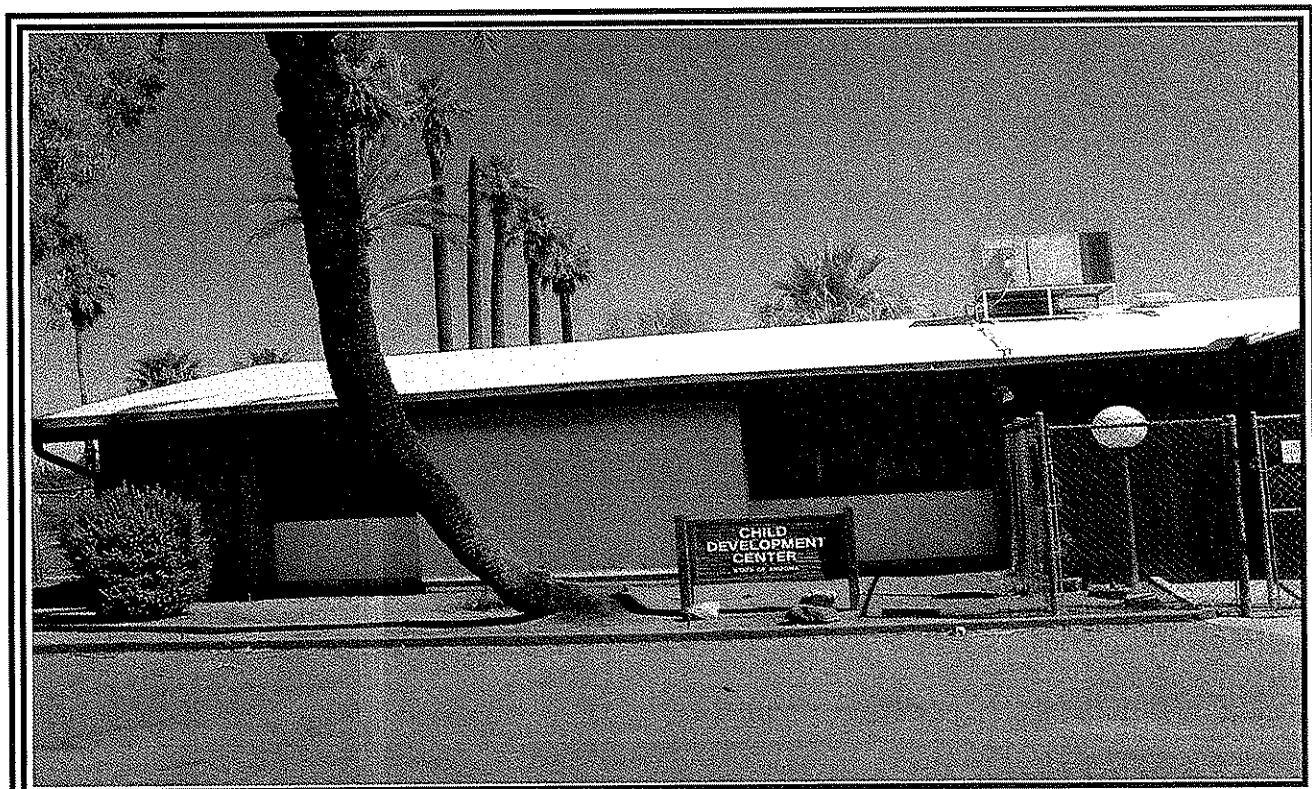
**THIS VALUE ESTIMATE IS MADE BASED UPON A HYPOTHETICAL CONDITION
CONTRARY TO KNOWN FACTS ABOUT THE PHYSICAL CONDITION OF THE
SUBJECT AS OF THE DATE OF THIS REPORT.**

ADDENDUM

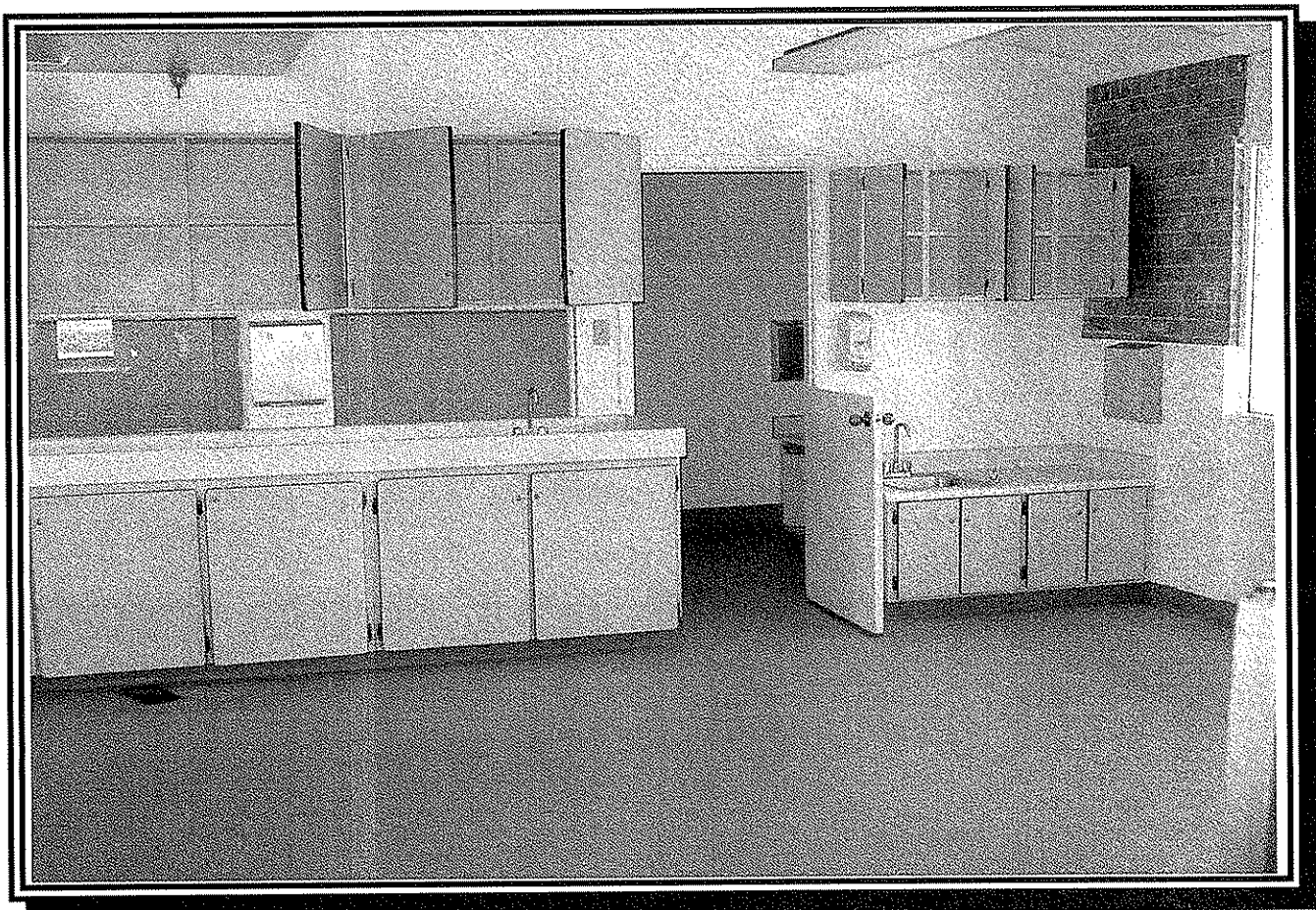
SUBJECT PHOTOGRAPHS



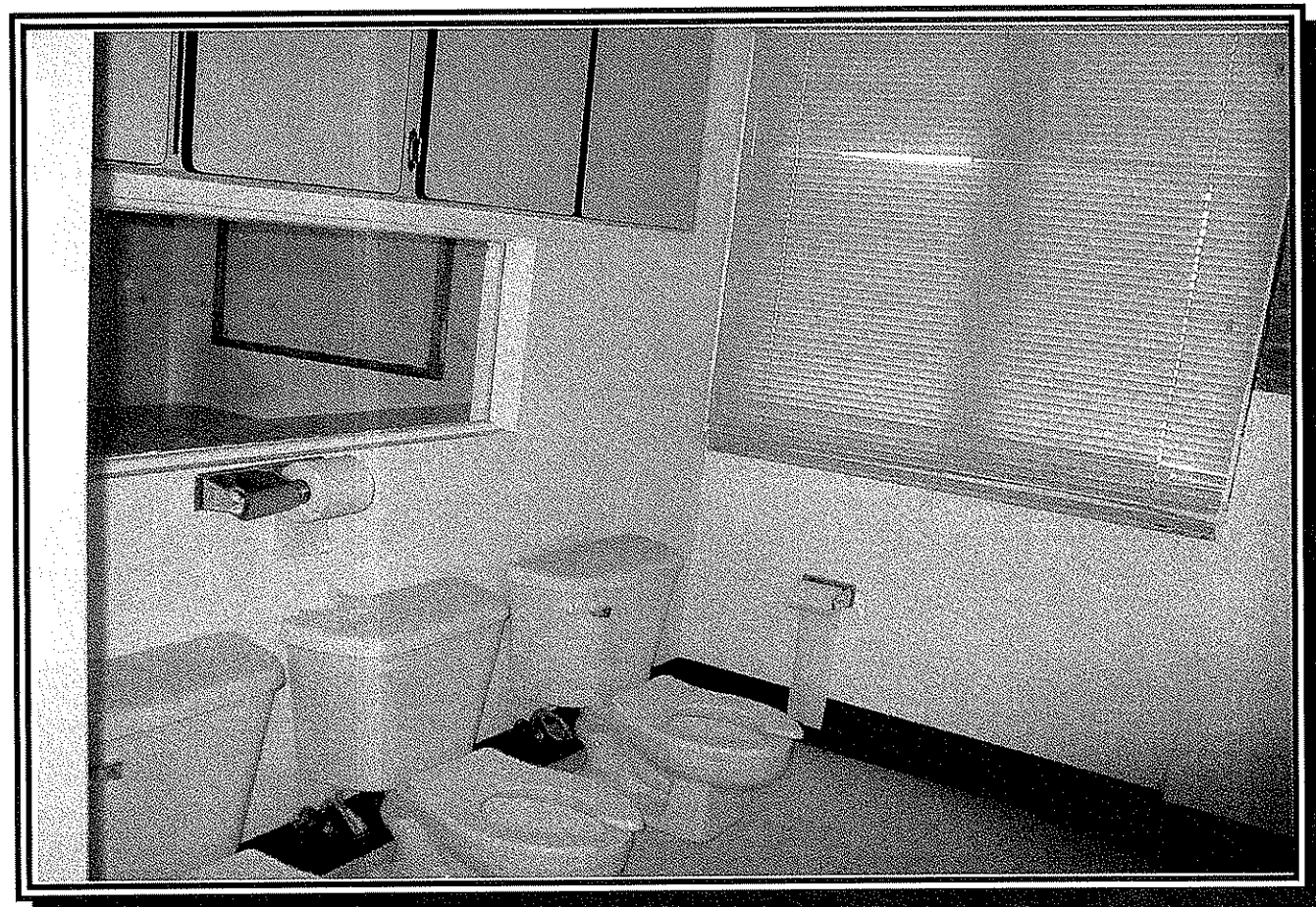
SUBJECT PHOTOGRAPHS

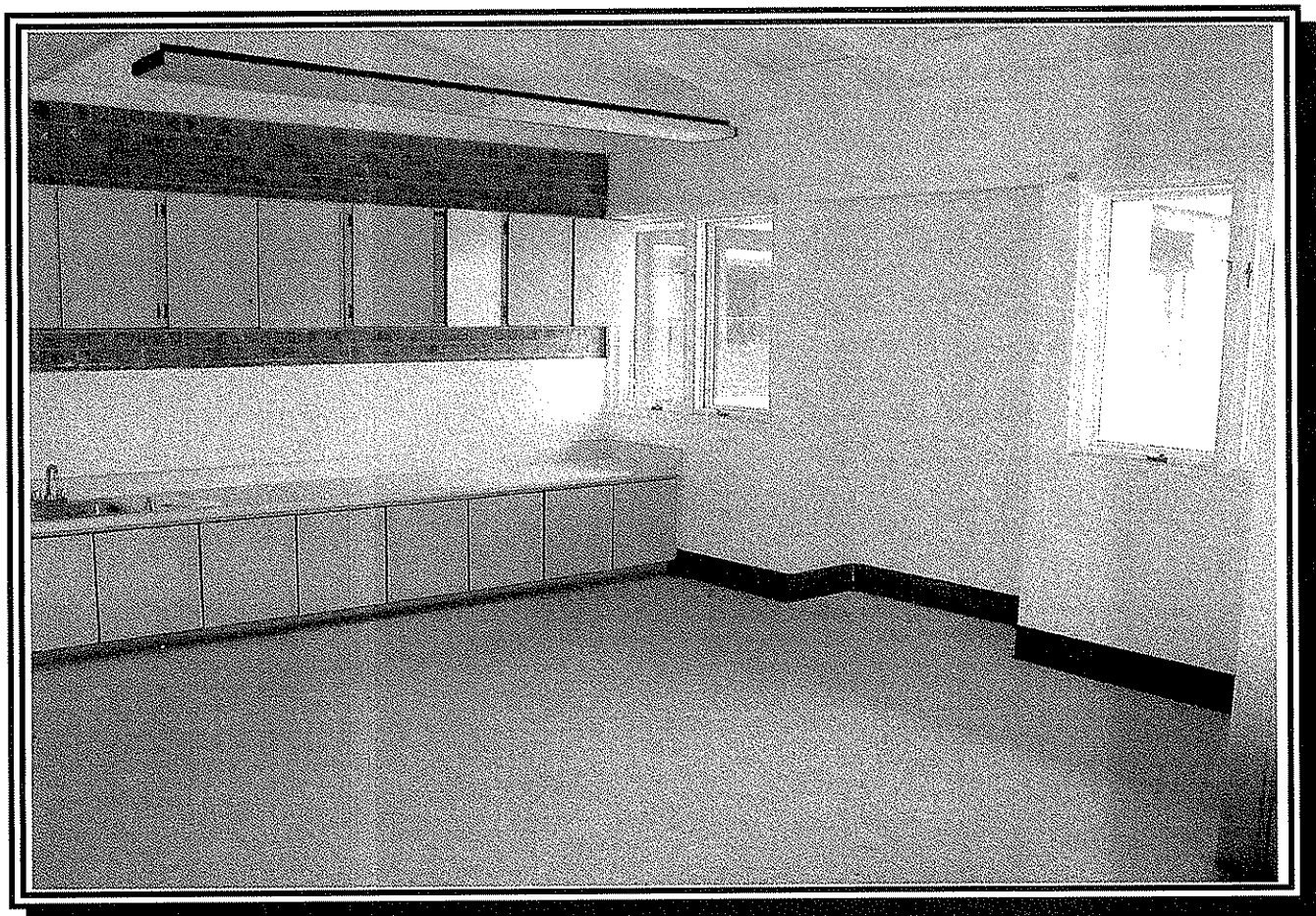


View on Jefferson Street, subject is on right

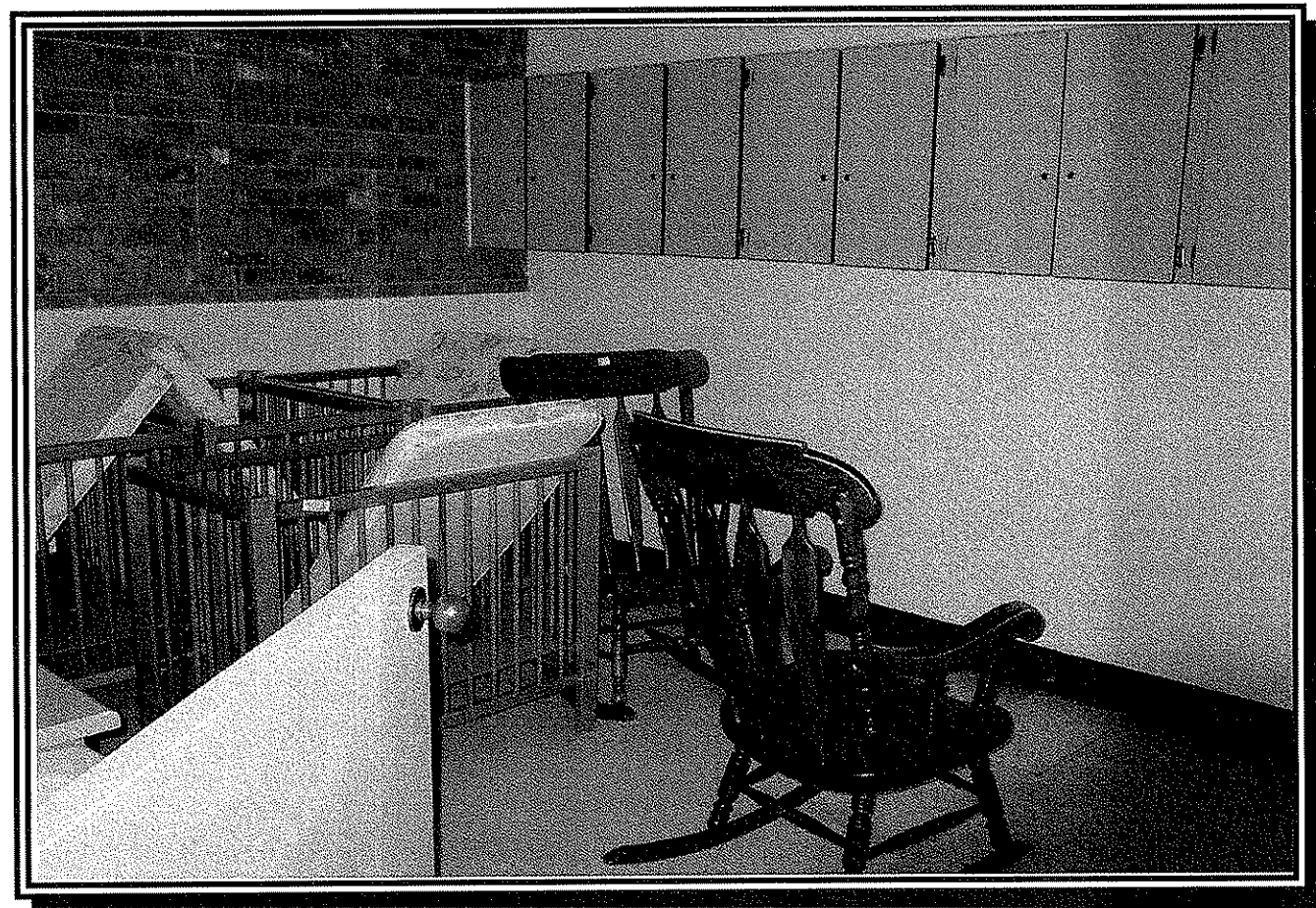


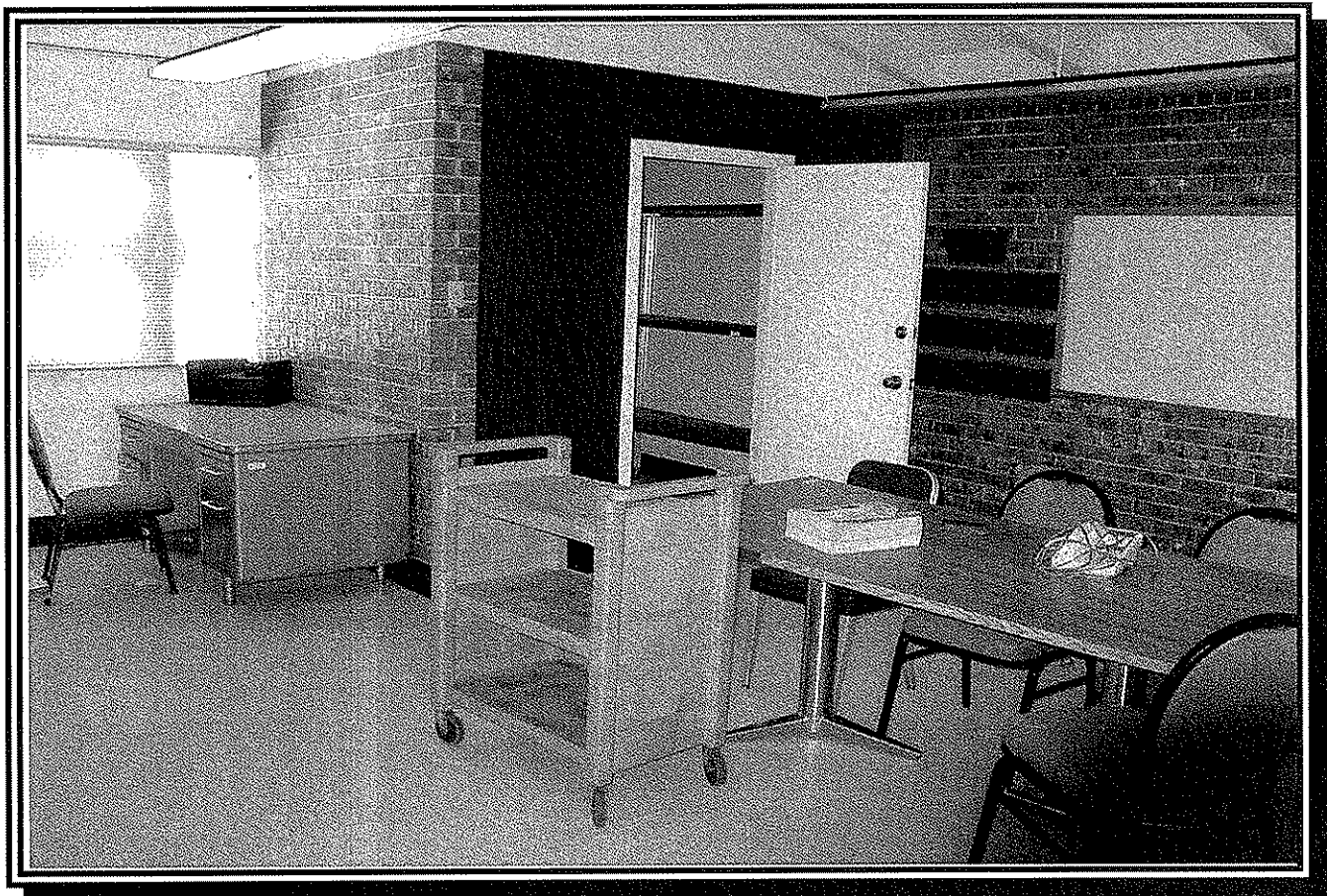
Interior View





Interior View





Interior View

